Getting Your Finances Ready for Your Golden Years

If you're beginning to consider retirement, you should be seriously thinking about how to ensure that your financial life in those golden years will be as comfortable and stress-free as possible. Here are a few tips.

Make the most of your remaining paychecks to save for retirement. How much money you'll need to set aside for retirement — which for many people could last 30 years or more — will depend on a variety of factors. Among them: When do you expect to quit working? Will you continue to earn some income part-time? How much money do you have in savings and pensions? And, what kinds of expenses will you incur for housing and health care?

Because the future is uncertain, it makes sense, while you're still working, to put as much money as possible — 10 to 20 percent of your annual income, if not more — into savings for your golden years. Also make use of employer-sponsored retirement plans (especially if you'll receive matching contributions) and tax-advantaged Individual Retirement Accounts (IRAs).

Try to reduce or eliminate debt. "Another way to save more money now for a more enjoyable retirement later is to cut back on unnecessary expenses," especially if you will need to go into debt to pay for them, said Luke W. Reynolds, Chief of the FDIC's Community Affairs Outreach Section. He said to try to pay off most or all of your credit card balances and other loans to cut down on interest charges and avoid being burdened with repayment during your retirement years. Develop a plan to stretch your money through a long retirement. "The idea is to determine where your money will come from during retirement, so you won't have to live in fear of running out of money," said Susan Boenau, Chief of the FDIC's Consumer Affairs Section.

For example, consult with the Social Security Administration (call 1-800-772-1213 or go to www.socialsecurity.gov) or your accountant to learn how much Social Security and pension income you'd get each month if you "retire early" — any time between 62 and your "normal" retirement age — and how much more you would receive if you hold off on retirement. The penalty for starting to collect Social Security payments early can be substantial.

Discuss with a financial advisor how and when to withdraw money from your tax-deferred retirement accounts, such as employer-sponsored retirement plans and traditional IRAs. Also periodically review your retirement portfolio — your mix among stocks, mutual funds, CDs (certificates of deposit), bonds and so on — to be sure it's well-diversified. And as you get closer to retirement, consider a more conservative investment strategy than in the past so you can avoid losses to principal that could mean having to postpone retirement or struggle financially.

If you do not already have a financial advisor, your local financial institution most likely offers personalized investment services and can work with you based upon your retirement objectives and time frame.