

Five Life Stages: Paths to Saving for Retirement

Presented by C.J. Ferrari and Mark Miller

When it comes to saving for retirement, your life can be divided into five stages, each with its own challenges. As you move through each stage, you should consider how much time is left until you retire, how much you can afford to invest toward retirement, and how much risk you are willing to take with your investments. Through proper planning and saving, retirement can be something you look forward to rather than something you worry about.

Age of Majority (18–30)

Most adults begin to work and earn a steady income during these years. Although it's the best time to begin saving for retirement, most of us do not take advantage of it. Thanks to compounding interest, if you begin to save early, you'll need to save less money over time than you would if you began to save at a later date.

Age of Responsibility (30–45)

During these years, work responsibilities and salaries usually increase. But personal responsibilities increase, too. For instance, you get married, purchase your first home, and have children. Most people begin to consider saving for retirement during this stage, but it can be difficult at this point in life to make consistent contributions to a retirement fund. Though other financial obligations may seem more pressing, contributing to a retirement plan should remain a priority.

Age of Maturity (45–55)

You are at the peak of your career and earning potential, but your expenses can also be great. College tuition, divorces, and career changes all typically occur during this stage. It's a good time to review your retirement goals and ensure that you are on track to meet them. If you're not, it may be time to change your strategy.

Age of Reflection (55–65)

While some expenses may be dwindling, other costs—such as health-related expenses—may be on the rise. You may also have to contribute money to support your own parents. Now is the time to focus on your retirement strategy and goals, and to review your investment risk strategy. Although a high-risk investment vehicle may have been appropriate during your 20s, at this stage, it may be wise to choose something more conservative.

Age of Tranquility (65+)

Today, many people work past age 65 in order to continue saving for retirement. Before deciding to retire, consider whether your retirement savings are sufficient to support you, or if you will have to make lifestyle changes. Thanks to all of the saving and planning you've been doing, however, you may be able to enter retirement confidently and begin enjoying your golden years.

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