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Retirement Planning

Why is retirement planning important?
Planning for retirement is a way to help you maintain the same quality of life in the future. You might not want to work forever, or be able to fully rely on Social Security.
Retirement planning has five steps: knowing when to start, calculating how much money you'll need, setting priorities, choosing accounts and choosing investments. Generally, financial advisors suggest you invest more aggressively when you're younger, then slowly dial back to a more conservative mix of investments as you approach retirement age.
When can you retire?
When you can retire comes down to when you want to retire and when you'll have enough money saved to replace the income you receive from working.
The earliest you can start claiming Social Security benefits is age 62.
However, by filing early, you'll sacrifice a portion of your benefits. If you were born in 1960 or later, full retirement age (which is also full Social Security benefits age) is 67. And your benefit will actually increase if you can delay it further, up until age 70.
Some people retire early (because they want or have to), and many retire later (again, because they want or have to). Many people find it's best to slowly ease out of the workforce rather than retire abruptly.
5 steps for retirement planning
Retirement planning has several steps, with the end goal of having enough money to quit working and do whatever you want. Our aim with this retirement planning guide is to help you achieve that goal.

1. Know when to start retirement planning
When should you start retirement planning? That's up to you, but the earlier you start planning, the more time your money has to grow.
That said, it's never too late to start retirement planning, so don't feel like you've missed the boat if you haven't started. Even if you haven't so much as considered retirement, every dollar you can save now will be much appreciated later. Strategically investing could mean you won't be playing catch-up for long.
2. Figure out how much money you need to retire
The amount of money you need to retire is a function of your current income and expenses, and how you think those expenses will change in retirement, and how they won't. For example, Washington Post columnist Michelle Singletary suggests people set a retirement budget, because you'll probably still want to take vacations, go out to dinner, and you may still have car or home maintenance costs. The typical advice is to replace 70% to 90% of your annual pre-retirement income through savings and Social Security.
For example, a retiree who earns an average of $63,000 per year before retirement should expect to need $44,000 to $57,000 per year in retirement.
3. Prioritize your financial goals
Retirement is probably not your only savings goal. Lots of people have financial goals they feel are more pressing, such as paying down credit card or student loan debt or building up an emergency fund.
It's a good rule if thumb to save for retirement while you're building your emergency fund — especially if you have an employer retirement plan that matches any portion of your contributions.
4. Choose the best retirement plan for you
A cornerstone of retirement planning is determining not only how much to save, but also where to save it.
If you have a 401(k) or other employer retirement plan with matching dollars, consider starting there.
If you don't have a workplace retirement plan, you can open your own retirement account.
There is no single best retirement plan, but there is likely a best retirement plan — or combination of retirement accounts — for you. In general, the best plans provide tax advantages, and, if available, an additional savings incentive, such as matching contributions. That's why, in many cases, a 401(k) with an employer match is the best place to start for many people.
5. Select your retirement investments
Retirement accounts provide access to a range of investments, including stocks, bonds and mutual funds. Determining the right mix of investments depends on how long you have until you need the money and how comfortable you are with risk. Generally, the idea is to invest aggressively when you're young, and then slowly dial back to a more conservative mix of investments as you approach retirement age. That's because early on you have a lot of time for your money to weather market fluctuations — a few bad years won't ruin you, and your nest egg should benefit greatly from the stock market's history of long-term growth. Investing for retirement evolves alongside you as you change jobs, add to your family tree, endure stock market ups and downs and get closer to your retirement due date.
Your investments don't necessarily require constant babysitting. If you want to manage your retirement savings on your own, you can do it with just a handful of low-cost mutual funds. Those who prefer professional guidance can hire a financial advisor.

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