BUILDING BLOCKS FOR RETIREMENT

Retirement Planning Essentials

Building Wealth the Time-Tested Way

Good luck if you are hoping that the Lotto ticket you bought at the convenience store might fund your retirement. Likewise, if you hope a long-lost relative will name you sole beneficiary of a significant fortune. While it can be pleasant to dream of sudden wealth, it's not a realistic way to approach retirement planning. If you want to increase your chances of enjoying a financially secure retirement, use a time-tested method -- save and invest through a tax-favored retirement plan. It will require patience, but it is doable. Here are the basic steps.

Start Early

If you have not yet signed up to participate in a retirement plan offered by your employer or opened an individual retirement account, do it as soon as possible. When you make regular contributions to a retirement account, you can benefit from the power of compounding. With compounding, you earn money on your savings, reinvest the earnings, and then earn money on your savings and on your earnings. This generates an increasing pool of savings that continues to be invested, creating what is essentially a "snowball" effect. The longer you save and invest, the longer your savings can potentially benefit from compounding.

Don't Stop -- Even for a Short Time

Life sometimes gets in the way of the best-laid plans. A major, unexpected expense may prompt you to think about cutting back or stopping your retirement plan contributions. If possible, you should look at other sources for the money you need instead of cutting back on your retirement contributions. All things being equal, making regular, uninterrupted contributions to a diversified retirement plan portfolio for decades can help make you retirement ready from a financial perspective.

Staying invested through all market cycles can also be important. Although volatility in the stock market is to be expected, it can be challenging to remain invested when the market experiences one of its periodic downturns. Although there is no guarantee that history will repeat itself, it helps to recognize that the economy is cyclical, and the stock market has always bounced back after a down period. One beneficial aspect of a temporary decline in the markets is that investments are selling at lower prices. That means your contributions can buy more shares than they did when prices were relatively higher.*

Invest Wisely

Be sure that you invest your retirement savings in a way that takes into account your tolerance for investment risk, the time left until your retirement, and other assets that may be available for retirement spending. Investing in a broad mix of different types of investments, known as diversification, is a good long-term investment strategy that helps manage investment risk. When one investment or asset class (stocks, for example) in a broadly diversified portfolio falls in value, another asset class may earn positive returns that can fully or partially offset those losses. Remember, however, that diversification and asset allocation do not ensure a profit or protect against loss in a declining market.

You can do more than simply dream about retirement security: Take action now and start laying the groundwork for a more secure future. For planning assistance, consult a financial professional.

Source/Disclaimer:

**Investing regular amounts steadily over time (dollar-cost averaging) may lower your average per-share cost, but this investment method will not guarantee profit or protect you from a loss in declining markets. Effectiveness requires continual investment, regardless of fluctuating prices. You should consider your ability to continue buying through periods of low prices.*

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