Smart retirement savings steps to take now

The recent turmoil in the financial markets has touched virtually every sector of the economy. One great source of anxiety for many people is the state of their retirement savings. Late last year, many saw the value of their retirement nest egg dwindle as stocks and stock mutual fund shares tumbled lower. The market will always be subject to ups and downs, but there are steps you can take to better protect yourself for the future.

Don't panic

It's important to make well-considered decisions about your retirement investments, even in the face of market turmoil. The financial markets typically work in cycles. That means that stock prices that slump today may well rise tomorrow or a year from now. Instead of reacting to market gyrations, it's a better idea to adjust your investment plan based on how close you are to retirement.

Starting your career

No matter what your time of life, it's best to set aside as much money as possible toward retirement. Many young people ignore this advice because retirement seems so far off. This is a mistake, however, because the more time you have, the more your savings will grow. For a young person, then, the chief advice is to get started on saving and keep at it. CPA financial advisers also counsel that it's safest to take a little more risk with your investments when you're in your 20s and 30s. Investments like stocks are considered riskier than bonds, for example, but they often offer a better chance to increase your investment if you hold them over a long period. However, every one has a different tolerance for risk, so you will have to decide how to invest your retirement money based on your own willingness to take risks or the current state of the market.

Moving into midcareer

If you are in your 40s and 50s, it's important to continue making contributions as you head towards retirement. If you already make the full contribution toward a 401(k) through your employer, consider, if you are eligible, contributing to an individual retirement account or Roth IRA if you have the funds to do it. Remember, too, that, for 2009, if you are 50 or older, you are allowed to contribute an additional $5,500 toward a 401(k) (or $5,000 for 2008) and an additional $1,000 toward an IRA or Roth IRA.

You should also be looking to strike a balance in terms of investment allocation. On the one hand, you should be a little more cautious because you are closer to retirement. On the other hand, you will probably need to live on your retirement savings for several decades, so you want to make the most of them. CPA financial advisors suggest having about 40% of your assets in less volatile investments, such as bonds, and 60% in investments with a potential higher yield, such as stocks.

Nearing retirement

Once again, it's important to continue to contribute to your retirement savings even as you move into your 60s so that you can benefit from potential interest or earnings on every dollar you save. You'll also want to examine what percentage you have in stocks vs. bonds or money market investments and begin to move closer to 50% in each.

Consult us

Saving for retirement, and deciding how to manage your retirement nest egg, can be complicated tasks no matter what your financial situation or life stage. Please consult **Peter Deng & Associates** about all your family's financial needs.