

A creative couple finds six ways to boost retirement savings

Sally and Keith are in their early 40s and came to a startling realization: unless they increased their retirement savings, they'd be working, as Sally says, "forever!"

The couple had just completed an end-of-year retirement planning session with their advisor. "Our advisor did projections assuming an 8 percent annual return, with our contributions increasing at the rate of inflation," Keith says. "That was assuming that we'd continue to set aside the same proportion of our income as we do now."

"We also assumed we could live in retirement on half of our current income, adjusted for inflation," Sally adds. "With these generous assumptions, we'd still only get to our goal if we worked until age 70."

"The sobering fact is that even this projection was, according to our advisor, very optimistic," Keith says. "He doubted we could count on such a high annual return, for one, and for another, he said the conservative benchmark is that couples will need at least 70 percent of their current income in retirement."

Sally and Keith knew they had to get serious about increasing the amount they set aside in their retirement accounts each year. That meeting with their advisor was in December 2004. By the first quarter in 2006, they had more than tripled the amount they were setting aside for retirement. Here's how:

1. **Keith stopped smoking.** He took the money he spent on cigarettes and put it into savings. "That's not trivial," he says. "I was spending about \$4 a day. That's about \$1,500 a year, up in smoke."
2. **Sally cut out "designer" coffee.** The Wall Street Journal recently estimated that expensive coffee, at \$1.50 a day, is \$33 a month. That's \$38,000 over working years that could go to a retirement plan, yielding \$142 a month in retirement income over 25 years. All for coffee. And where can you get designer coffee for only \$1.50 a cup now?!
3. **They opened an HSA.** The couple converted their health insurance to a Health Savings Account. "We're basically healthy, especially with Keith not smoking," Sally says. "Our premiums are \$60 less a month, and we're building our personal account in case of a bad illness." They took the \$720 savings a year and put it into retirement savings.
4. **They're a one-car family.** They sold their oldest car. "You can't believe the savings," Keith says. "Two less car payments (\$4,800 a year), because we

Neither the information presented nor any opinion expressed constitutes a representation by us or a solicitation for the purchase or sale of any securities. AMS does not sponsor or endorse any entities or Web sites mentioned in this article, nor can AMS be responsible for their content.
© 2006 Asset Marketing Systems Insurance Services, LLC. All rights reserved.

FYF 0306

NASD Review Letter Reference # FX2006-0106-0007/E

took the money from selling one car and paid off the loan on the other car. Half as much gas (a savings of \$1,872), half as much insurance and license plate costs (a savings of \$619)." The couple happily commutes to work together and put the \$7,291 into their retirement account.

5. **Both maximized their 401(k)s at work.** They had been contributing half of the maximum, and losing out on a 50 percent employer match. Additional contributions: \$3,000 by Sally and Keith; \$1,500 more by their employers. Total addition: \$4,500.
6. **They eat fewer meals out.** As two professionals, Sally and Keith often ate at restaurants. "We would spend \$40 at a restaurant at least three nights a week. Instead, we took a cooking class and make most dinners at home. We limit going out to one night a week." Annual savings, even after they buy more groceries, \$2,160.

"At our end-of-year meeting this past December, our financial advisor recalculated our retirement date based on our re-commitment to savings," Sally says. If we keep it up, we'll retire at age 63 with 80 percent of our current income. That's a huge change and, for us, a big success story."

Keith and Sally offer one piece of advice. "Invest the new-found money immediately," Keith says. "If you hang onto it, you'll find something to spend it on, and the sacrifice will be for nothing."

Neither the information presented nor any opinion expressed constitutes a representation by us or a solicitation for the purchase or sale of any securities. AMS does not sponsor or endorse any entities or Web sites mentioned in this article, nor can AMS be responsible for their content.
© 2006 Asset Marketing Systems Insurance Services, LLC. All rights reserved.

FYF 0306

NASD Review Letter Reference # FX2006-0106-0007/E