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Did You Forget to Save for Retirement?

Will you have enough to live on during your golden years? Roughly one-quarter of Americans are not sure they will have sufficient funds for a comfortable retirement, according to an Employee Benefit Research Institute survey, and only 18% are very confident they will. Many people work hard for years and do a good job of paying their bills and covering life's many unexpected costs, but they may not think about retirement savings until their last day at work is only a few years down the road. If you're uncertain about whether you'll have sufficient cash to fund the retirement you're planning, the Tennessee Society of CPAs offers these insights and tips.

Know What You'll Need

Just how much is enough? The amount of money you'll require for a secure retirement will vary based on numerous individual circumstances and many personal factors, including where and how you plan to live and any medical issues that might affect your longevity and your costs in retirement. If you're close to retirement and able to anticipate many of your needs, then it may make sense to develop a budget that comes as close as possible to tracking your future monthly cash requirements. If you plan to downsize or move to an area with a lower cost of living, those changes should be taken into account. So, too, should the possibility of rising health care costs or the chance you'll have to pay for technology, travel or other items your company might have previously picked up for you. Share your budget with your local CPA and ask what steps you need to take now to be sure you can cover all your costs in retirement.

Consider Catch-Up Contributions

If it's time to ramp up your retirement savings, the good news is that the tax laws can actually make it easier for you. If you're 50 or older, you can set aside a little more in tax-advantaged retirement plans using annual catch-up contributions. With a 401(K), 403(b) and most 457(b) plans, you can normally contribute up to $18,000 annually, but once you pass age 49, you can add another $6,000. For a Roth or traditional IRA, the base maximum is $5,500, but that rises by another $1,000 if you're 50 or older. And don't overlook the significant opportunity open to small business owners who qualify to set up a Simplified Employee Pension IRA (SEP). With a

SEP, you can contribute up to 25% of your compensation, to a maximum of $53,000. With SEP plans, the amount you contribute is deductible, which lowers your taxable income. However, catch-up contributions are not permitted. If you're running behind on your retirement saving, talk to your CPA about your tax-advantaged options for catching up.

Reset Your Deadline

While 65 was once considered the accepted retirement date, more people are working well beyond that age. If you choose to do so, even part time, not only will you have more time to add to your nest egg, but you could also qualify for higher Social Security payments. You can begin collecting Social Security benefits as early as age 62, but taking payments before you reach full retirement age can lower your payments by as much as 30 percent. If you were born after 1942 and continue working after full retirement age, however, you can increase your checks by 8 percent for each year that you stay on the job until age 70.

Turn to Your CPA

If you haven't been diligent about saving for retirement, your local CPA can help. He or she can offer practical advice and realistic solutions for a wide range of financial planning concerns.

About Money Management

Money Management is a column on personal finance that is a joint effort of the AICPA and the Tennessee Society of CPAs, as part of the profession's nationwide 360 Degrees of Financial Literacy program. Members of TSCPA are CPAs residing and practicing primarily in Tennessee in all areas of public accounting, education, government, business and industry. TSCPA offers a speakers bureau for many types of business and educational engagements. For details, visit www.tscpa.com. TSCPA is headquartered in Brentwood, Tenn.