

Last Minute Retirement Planning

Contributed by Amy
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In a perfect world, everyone would have started saving for retirement when they started their very first job and wouldn't stop until they said their final goodbye at their retirement party. However, this is not a perfect world and everything doesn't go exactly as we plan.

Debt and Emergencies

Life throws us unexpected curveballs and knocks us off our plans. Whether it's losing our job, an unexpected illness, the loss of a loved one and their respective income, or sending a child to college, all of these examples can cause us to lower or stop our contributions to our retirement plans.

If you have found yourself in this predicament, fear not, all hope is not lost. But, you do have some serious decisions to make. Since you are way behind the eight ball, you have some catching up to do.

Types of Accounts

The first step is to make sure that you are maximizing your 401k plan through your employer. Next, if you qualify for a traditional IRA or Roth IRA, make sure you are making the maximum contribution to that as well, including the catch-up provision for over the age of 50. Finally, you should be setting aside assets in a non-qualified retirement plan. This would traditionally be an account with an employer that does not meet the tax qualifications under the Internal Revenue Sec. Code 401 for qualified plans. These types of plans include:

- Deferred compensation plans
- Stock option plans
- Excess benefit plans

However, a non-qualified retirement plan doesn't have to be only offered through an employer. It can simply be a contract that you make with yourself to put aside money into a savings or investment account every month that you plan to use as a supplement for your retirement.

Ready to Retire?

Another important step in last minute retirement planning is considering that you may have to work longer than you planned. Or you may consider starting a second career. Since you started saving "last minute" you will need to save longer.

If you are unsure where you stand, there are many retirement planning calculators that can help you determine not only where you currently stand but also approximately when your money will run out, how much longer it would last by saving more, etc. These calculators ask you the following:

- Your age
- Marital status
- Current income
- Planned retirement age
- Current retirement savings (how much you already have saved)
- Current allocation of your savings (% in stocks, bond, etc.)
- Amount of money you are saving annually

Based on these input features, the calculator will be able to give you an idea of how large your shortfall may be and where you may be able to correct it.

As you can see, saving for retirement is extremely important and you can never start too soon. However, life happens and we have to roll with the punches. Once you find yourself ready to plan for retirement, start planning and keep at it. You will thank yourself later in life as your enjoying your golden years.