Why laying a foundation now can pay later

20s

START SAVING

Preparing for retirement in your 20s

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Your career is getting off the ground. And you're finally making a real paycheck.

You may be thinking about buying a car, or you're planning your next vacation. Let's face it, you're busy getting life started and enjoying it. Retirement may seem ages away.

But right now is a crucial time to start thinking about retirement — and saving for it. Even just a little.

Laying a strong foundation early on can make a big impact down the road and lead to both a happier life and retirement.

Make the decision to start saving. (And if you've already started, try saving a little more.)

Create good saving habits

The first step in setting yourself up for retirement — and financial success over the long term — is getting into the habit of saving now.

It's healthy to enjoy life as you save.

Find a balance and don't deprive yourself of vacations and the occasional latte.

Here are four easy tips:

Create a budget

Do you know where your money is going? By tracking your spending, you can make adjustments and set aside extra money for your retirement savings.

Pay yourself first

Be sure to pay yourself first and put money off the top into your retirement savings — you won't even know it's gone. There are plenty of apps to help you budget. Your bank probably offers online tools too.

Save early

This gives your money time to grow, or compound. Compounding happens when your investments earn money, and then that additional earned money is reinvested — and earns more money.

Time is on your side. Take advantage of this growth potential.

Save often

Have any "leftover" money at the end of the month, once you've paid your bills?

Consider putting that additional money into savings — instead of spending it. Also, increase your savings as you get raises at work.

How can you save even more?

Cheers to you if you've already started saving. There are even more steps you can take to save for your future retirement needs.

1 Enroll in your company's retirement plan

- **Does your employer offer a retirement plan, like a 401(k)? Sign up if you can.** This is a great way to automate your savings, and it's not as difficult as you think.
  - Here is an example of compounding interest over a period time. Let's say you're starting now at age 25 and your annual salary is $50,000. If you invest 10 percent of your earnings consistently, receive a three percent raise each year and earn an eight percent rate of return on your investment, you could have more than $2 million by the time you retire at 65![1]
- **Your company may also offer matching dollars. Take advantage of this free money.** For instance, if your employer offers a five percent match, it means they will contribute the same amount to your account that you do, up to five percent of your salary. (You may be able to contribute more, of course, but only the first five percent will be matched.)
  - In other words, your employer is offering you extra money. Think of it as additional salary. Or a bonus. Now ask yourself — if you're not contributing to your 401(k) — why are you leaving that money on the table?
- **Contributing to a 401(k) plan also offers great tax benefits since your money goes in tax free.** The amount you choose to contribute to your 401(k) is deducted from your paycheck before taxes are taken out. As a result, you're paying taxes on a smaller portion of your salary and your overall tax rate may be lower.
  - Be aware there are limits to how much you can contribute to your 401(k) in any given year. Check the contribution limit, as it can change periodically.

2 Increase your 401(k) contributions at least 1 percent per year

- **Try and raise the amount you contribute to your plan over time.** If you get an annual raise, aim to increase your percentage by 1 percent.
- **Aim to eventually invest 10-15 percent of your income** in your retirement plan.

1. This hypothetical example is for illustrative purposes only. It is not based on any particular investment. Assumes 8% annual return. Investments will fluctuate and when redeemed, may be worth more or less than originally invested. The example does not account for
fees or expenses associated with investing nor does it account for inflation.

3 Understand your options

- **If you switch jobs or terminate employment, you have options:**
  - Leave the money in the former employer's plan
  - Roll over assets to the new employer's plan
  - Roll over assets to an IRA, or cash out

  Consider speaking with a financial professional and tax advisor when making this decision as there may be tax consequences and/or penalties to certain available options.
- **Understand the value of diversification.** You have time to weather market ups and downs. Invest according to your risk tolerance and stick to your investment objectives.

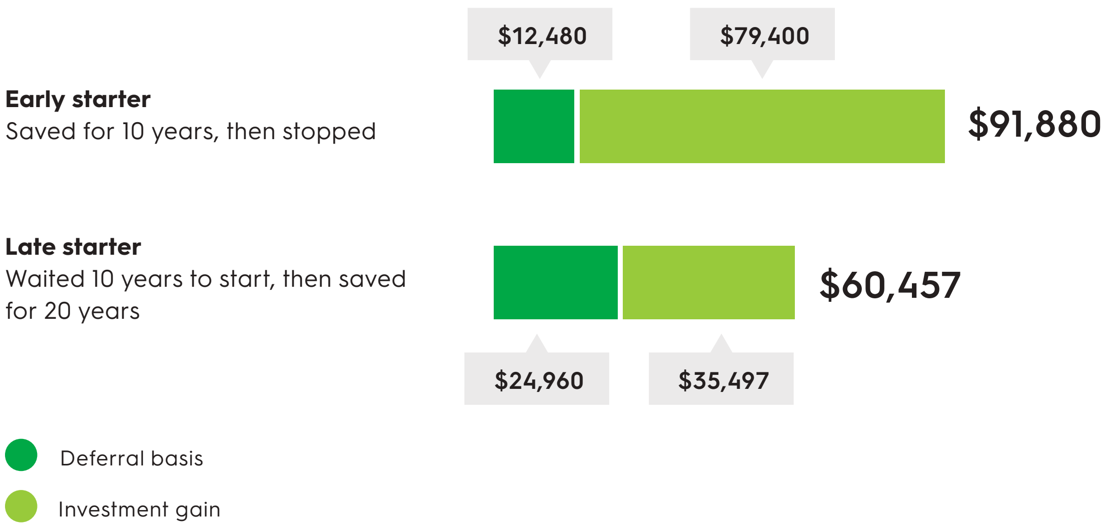
How compounding works for you[2]

Compound interest — which is the interest you earn on your principal sum plus previously accumulated interest — can have a dramatic effect on the value of money over time.

Let's say you start saving now for 10 years, and then you stop.

When you retire, you'll have $91,880 in savings. That's $30,000 more compared to someone who waited 10 years to start and saved for 20 years.

Though you saved money over a shorter period, it had more time to compound. That's why saving now is key.



2. Assumes weekly contribution of $24 and 8% annual return compounded quarterly. This chart is hypothetical and for illustrative purposes only. It is not indicative of any particular investment. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. This is a hypothetical example for illustrative purposes and is not a guarantee of future results. This information should not be considered tax advice. You should consult your tax advisor regarding your own tax situation.

Don’t let debt weigh you down

Getting your debt under control is critical. It can prevent you from affording things later on, eats up extra income — and leads to bad credit, which could make it difficult to qualify for a mortgage loan if you want to buy a house someday.

Here’s how you can knock down your debt:

Use credit wisely

Credit cards are convenient, but it’s important to pay more than the required monthly minimum payment. Otherwise, you could be saddled with double-digit interest. If you have multiple credit card balances, pay off your higher interest cards first.

Live within your means

Be smart. If you waited, would the items on your most desired list go on sale? Do you have the money right now to pay for them? Be honest with yourself about wants versus needs. Do you actually need another pair of shoes or hockey jersey? Try to cut out unnecessary expenses.

Pay off student loans

Balance paying off high-interest credit cards with student loan debt. You may pay off your loan faster by making extra loan payments (without penalties). You can also pay more than the monthly minimum or refinance at a lower rate.[3]

Set up an emergency fund

Life is unpredictable. But you can plan for the unexpected — like a simple flat tire repair or if you break your leg snowboarding and can’t work. Set aside enough money to cover three to six months of your expenses. Avoid dipping into your 401(k) for an emergency.

Think you can’t afford to save?

Even though you have many competing priorities right now, it’s important to save. (Your future self will thank you.)

There are many different ways to save. You can do simple things to find extra money in your budget. And you don’t have to cut out the things you love.

Did you know:

$ If you spend	$$$ In a year, you’ve spent
$3/day on gourmet coffee	**$1,095**
$6/day eating out	**$2,190**
$100/month on cable	**$1,200**

Just think, if you made coffee at home, packed your lunch or dropped some premium channels — you could re-direct some real money into your savings.

You don't have to figure out all this financial stuff by yourself — talk to an expert. A financial professional can help you establish good money habits now — when you're young, help you ensure your retirement investments are the right mix and map out a plan to help meet your long-term financial goals.

At Securian Financial, we're here for family. And we're here because of it.

Family doesn't have to branch from your tree, but it always shares your roots. Roots woven by common understanding, shared values and mutual respect. Those who believe a rewarding life is really about being present in the here and now, and that your financial picture should support the everyday moments as much as the major milestones. That's why our insurance, investment and retirement solutions give you the confidence to focus on what's truly valuable: banking memories with those who matter most.

Learn more

Have questions? Want to get on the right path for retirement? Visit **securian.com** to learn more and use our retirement calculator tools.

3 “Pay Off Your Student Loans Faster in 2018,” Zack Friedman, Forbes, December 20, 2017.

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