Decorah Bank & Trust Co. Cresco Bank A Division of Decorah Bank & Trust Co.

1-2-3 Banking

Strong beginnings to a healthy financial future

Why saving for retirement should be important to you now

Retirement may seem like a long way off into the future. You may still be in school or have just entered the workforce but there are key things you should be doing right now to prepare for your future self. Imagine for a moment what you might want your retirement to look like. Do you want to travel? Maybe you want to own a second home by open water or nestled in the mountains? Do you want to own a boat? A classic convertible? We all have dreams and if you start planning for retirement now you can make your dreams a reality. It's called baby steps and you can start taking them now. If you wait until you are forty years old and then start planning for your retirement, you might only end up with enough savings to pay for your expenses. You could stop working but not have enough money left over for the fun things you want to have or do.

1. Start now! The earlier you start saving, the longer compound interest will work for you. You might not be able to save much right away, but start small and start now. Here's why saving early is so important:

   Sally Saver saves $2,000 per year from age 20 to age 30. Her money earns 7% interest. At age 30 she stops saving and leaves her money in the account until she is ready to retire. At age 65 Sally only deposited $20,000 of her money, but now she has $337,774 in her account.

   Fred Finance doesn't start saving until he is 30. He saves $2,000 per year at 7% interest just like Sally. Instead of only saving for 10 years, Fred continues putting $2000 per year in his account until he is age 65. Fred saved $72,000 of his money, and ends up with $318,675 at age 65. Fred saved $52,000 MORE than Sally and ended up with less money, just because Sally started saving earlier.

2. If your company offers a retirement package take advantage of it. Many employers will even match what you contribute up to a certain percentage. At the very minimum you should contribute enough to get your full employer match. Make sure you review your plan every year with a financial advisor.

3. If your company doesn't offer a retirement savings plan, look into a Roth or Traditional IRA.

4. Automate your savings. This is the best way to ensure you save something every paycheck.

5. Avoid debt. It is much easier to save money every month if you don't have to make credit card payments.

6. Control your spending. Create a monthly spending plan to avoid overspending and make your money work for you.

7. Increase the amount you save each year. When you get a pay raise, increase the amount you save for retirement. You will be saving more without noticing it in your paycheck.

   By taking these steps, you will have likely saved a nice bundle for your future. Keep saving, be patient and don't touch it until you're ready to enjoy it. Someday, when you reach your golden years, let us know how it all turns out. Enjoy the journey!

24.0118