You were smart to join your employer’s retirement plan. It really is a great first step on the road to preparing for a financially secure retirement. However, over time, you’ll want to think about adding a little more to what you are contributing to your retirement plan. Increasing your contribution by even a little bit can make a big difference in your account value over time.

Finding those extra dollars to contribute may seem challenging, but it isn’t as hard as it may appear. You may be able to come up with additional money by taking advantage of a few of the following opportunities.

WHEN YOU GET A PAY RAISE
Consider setting aside part of any raise you receive in your plan account. Since you haven’t been living on that money, you probably won’t miss the amount you contribute to your retirement account.

WHEN YOU PAY OFF A LOAN
When you pay off a loan, such as a student loan, home mortgage, or car loan, you can use the old monthly payment amount to boost your retirement contribution. One of the best ways to free up money for your retirement account is to pay off a credit card balance.

WHEN YOUR CHILDREN BECOME INDEPENDENT
No one said raising a child was cheap. A middle-income family with a child born in 2015 can expect to spend about $233,610 for child-rearing expenses up to age 18.* Once your kids move out, you can use some of the money you were spending on their expenses to increase your plan contribution.

WHEN YOU REACH AGE 50
If you’re age 50 or older, and your plan permits, you may be able to increase your retirement funds by making catch-up contributions in addition to your regular plan contributions.

WHEN A NEW YEAR STARTS
Another idea is to increase the percentage of pay you contribute to your plan by 1% each year. That little boost can make a difference in the amount of money you’re able to accumulate for retirement.

THINK LONG TERM
The sooner you start saving more for retirement, the better. Adding those few extra dollars to your retirement plan could make a big difference in your account value over time.

* Expenditures on Children by Families, 2015, U.S. Department of Agriculture, January 2017

YOUR QUESTIONS ANSWERED:
CAN MY EMPLOYER ACCESS THE ASSETS IN MY RETIREMENT PLAN?

Many retirement plan participants worry about the security of their plan accounts. While plan participants who invest in stocks and bonds can have no guarantees about how their investments will perform, they can be confident that their plan accounts are protected from creditors of their employer or from being commingled with their employer’s assets.

Qualified retirement plans are closely regulated by federal law. Pension law — specifically, the Employee Retirement Income Security Act of 1974 (ERISA) — requires that qualified plan assets be held in a trust or invested in an insurance contract.

Once you contribute money to your retirement plan, those funds must be kept completely separate from your employer’s accounts. The assets of the retirement plan may only be used for the benefit of the plan’s participants and their beneficiaries or to pay reasonable plan expenses. Your employer’s creditors cannot gain access to the retirement plan assets.
DEFINE YOUR SPENDING LIMITS
It may very well be the case that you are overspending if your bank account and wallet are often nearly empty before paydays. Luckily, there’s a remedy for overspending. Set a spending limit so that you keep your ordinary living costs comfortably below your income. And be sure to leave enough room in your budget for bills that come due only once or twice a year, such as insurance premiums.

PREPARE FOR UNPLANNED EXPENSES
Reaching for your credit card when you have to repair your car or cover another unplanned large expense can make such spending costly and add to your monthly cash flow needs. It’s smarter to gradually build an emergency fund, ideally equal to several months of income, which will let you avoid most forced borrowing. Consider keeping this short-term reserve in a readily accessible account that you use only for financial emergencies.

GET SMART ABOUT DEBT
Borrowing is easy. It’s paying off debt that’s hard. Debt payments can become a prolonged drain on your income. That’s why you should limit your use of credit cards to an amount you can comfortably pay off each month. Take loans only for major, long-term items like a house, education, or a car.

USE INSURANCE TO MANAGE RISK
Insurance can be an important tool for anyone focused on financial security. However, the liability limits that are built into your homeowners and auto policies might not be large enough to protect your assets in the event that you are sued. The cost of increasing your policy limits may be very low relative to the security you’d gain.

Also, consider an excess liability (or “umbrella”) policy to supplement the covered limits on your homeowners and auto insurance policies. It can be a cost-effective way to protect yourself.

And don’t overlook disability coverage. You may have some short- or long-term disability insurance through your job. But would it replace enough of your pay? And would the qualifying requirements make it hard to collect? For example, find out if your claim could be denied if you’re able to engage in “any occupation,” not necessarily your “own occupation.”

INCREASE LONG-TERM ASSETS
Lastly, make sure that you regularly invest some part of your income for the long term. When you are investing for your future retirement, the best rule is to start early and keep going for as long as you work.
A memorable soup or a mouth-watering main course doesn’t just happen. It takes the right mix of ingredients. Professional chefs and novice cooks all know that too much of this or too little of that can affect the whole dish. Every ingredient has to be balanced out. The same can be said about your investments.

**SELECTING THE INITIAL MIX**
You chose a certain mix of investments — your original asset allocation* — when you initially set up your retirement account. But because investment values are always changing, the way your account is allocated also changes. Over time, variations in the way your investments perform can cause your asset allocation to shift. The investments that have been outperforming the others will grow to represent a greater portion of your account. So even though you haven’t actively made changes to your allocation, the up and down movement of the securities markets means that your account is no longer allocated the way you originally intended.

**CHANGING EXPOSURE TO RISK**
Any changes to your asset allocation will have an impact on the level of risk in your account. Take stocks, for example. Since they are inherently riskier than the other major asset classes, when the portion of stock investments in your account grows, so does your exposure to risk. Alternatively, if the portion of your retirement portfolio invested in stocks declines, the resulting asset allocation is more conservative than you originally planned. Your exposure to risk is lower, but so is your potential for future gains.

**RESTORING THE BALANCE**
You can rebalance your portfolio so that the percentages you have allocated to stocks, bonds, and cash investments return to your original recipe. If your stock percentage is too low, you can rebalance by selling assets in some bond and cash (money market) funds and reinvesting the proceeds in stock funds. Alternatively, you can rebalance by changing the way your new contributions are invested until your original asset allocation is restored.

Review your retirement account at least once a year to see if it needs rebalancing. If your goals, tolerance for investment risk, or time horizon change — for example, if you are drawing close to retirement — you can reallocate your account so that it reflects your changed situation. You can do the same if you discover that you are more risk averse than you originally believed.

* Asset allocation does not guarantee a profit or protect against losses.

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**What’s in the Mix?**

<table>
<thead>
<tr>
<th>Cash Investments</th>
<th>Bonds</th>
<th>Stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IN THE BEGINNING</strong></td>
<td>60%</td>
<td>25%</td>
</tr>
<tr>
<td><strong>NOW</strong></td>
<td>65%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>AFTER REBALANCING</strong></td>
<td>60%</td>
<td>25%</td>
</tr>
</tbody>
</table>

1 Cash investments are short-term securities that can be readily converted to cash, such as U.S. Treasury bills. They may not be federally guaranteed or insured, and it is possible to lose money by investing in cash investments. Returns on cash investments may not keep pace with inflation, so you could lose purchasing power.

The information in this chart is hypothetical and used for illustrative purposes only. When choosing an asset allocation, you should consider your other assets, income, and investments (for example, your home equity, individual retirement account investments, savings accounts, and other retirement accounts) in addition to the balance in this plan.

Source: DST Systems, Inc.
ARE YOU PLANNING ON A PART-TIME RETIREMENT?

A full-time retirement is not the goal of every working person. Many people like the idea of working past traditional retirement age. Some do it for financial reasons while others choose this path because they enjoy being employed and don’t want to exit the workforce altogether. If you intend to ease into retirement slowly, put some time into considering these financial and tax issues.

SOCIAL SECURITY
You can choose to start collecting Social Security retirement benefits as early as age 62. However, your benefits will be permanently reduced if you begin receiving them before your full retirement age (which ranges from 66 to 67 for individuals born after 1942). Conversely, your monthly Social Security benefit will be increased for each month you delay the start of Social Security past your full retirement age, up until age 70.

Most people base their decision regarding when to receive Social Security on their own personal financial considerations and their expectations concerning longevity. When continued earnings are part of the retirement picture, you also need to consider the Social Security earnings penalty. Before you reach full retirement age, Social Security reduces your benefit when you earn more than a certain amount. Basically, one dollar in benefits is withheld for every two dollars in earnings over $17,640 (in 2019). For an individual reaching full retirement age in 2019, the reduction is one dollar for every three dollars of earnings over $46,920. There is no limit on earnings beginning the month you attain full retirement age.

RETIREMENT AND HEALTH BENEFITS
Cutting back on the hours you work or working for a lower salary could affect your retirement benefits. Some plans require employees to work a certain number of hours in order to make plan contributions or receive allocations of employer contributions to their accounts. If you are covered under a traditional pension plan, its benefit formula might give more weight to earnings during the last years of employment — so a lower salary could mean a lower pension benefit. You’ll also want to investigate your plan’s rules regarding in-service distributions to employees.

Working part-time also could affect your eligibility for employer-sponsored health insurance. Remember that Medicare generally isn’t available until age 65.

STARTING A BUSINESS
If you start your own business, you’ll have an opportunity to give your savings a boost by establishing a tax-favored retirement plan. Even a few additional years of saving could mean greater long-term financial security. After you reach age 70½, however, you have to begin taking annual required minimum distributions from the plan.