Those who have postponed saving for retirement for a variety of reasons should not abandon their retirement dreams. Contributing to a retirement plan no matter how late in the day can have a beneficial effect on one’s overall financial health in retirement.

If you are a late starter or someone who has contributed only a little to your employer’s retirement plan up until now, you should realize that you can still take control of your retirement planning. Here are some strategies that can help.

**START WITH A BUDGET**

If you have always believed that your expenses are such that you can’t afford to contribute more to your retirement plan, why not track your expenses for a couple of months to see if this is really the case? Record everything, even small out-of-pocket expenses. You will soon be able to identify those expenses that are necessary and those that can be reduced or eliminated. You can then make a written budget, which allows you to see where your money is going and whether you spend less (or more) than you earn. With a budget, you can quickly determine how much you can afford to set aside for your retirement.

**PAY YOURSELF FIRST**

Make saving for retirement a routine part of your life. You simply decide how much you wish to contribute to your retirement plan each pay period and let your plan administrator know. Your employer will automatically deduct your contribution from your pay and place that sum in your retirement account.

All you have to do is decide how you want your contributions invested.

**KNOW YOUR TOLERANCE FOR INVESTMENT RISK**

Deciding where to invest your plan contributions requires you to understand how much risk of loss you are willing to take in exchange for the potential to earn higher returns. Knowledge means that you choose investments that fit your situation.

**REVIEW YOUR PLAN’S PROVISIONS**

Read as much as you can about your plan’s provisions to ensure you are making the most of this opportunity. If your employer offers a matching contribution, try to contribute enough to obtain the match.

**SEE IF YOU ARE ELIGIBLE FOR A TAX BREAK**

Depending on your annual income, you may be able to receive a federal income tax credit, known as the saver’s credit, for a portion of your plan contributions. You can find more information at [www.irs.gov](http://www.irs.gov).

Remember, it’s never too late to begin saving for a more financially secure retirement.
WHAT TO DO WITH A **FINANCIAL WINDFALL**

Who wouldn’t want to come into a large sum of money? It’s the stuff daydreams are made of. Almost everyone has fantasized about how they would spend their windfall — vacations, adding new rooms to their home, and helping out family and friends with generous gifts come to mind for many.

For the fortunate few, these dreams do come true. Receiving an inheritance, an insurance payout, the proceeds from a business sale, a legal settlement, or lottery winnings are some of the ways people come into sudden wealth. If you are lucky enough to receive a financial windfall, it might be helpful to take a step back and think about what you should do next.

A key first step would be to develop a reliable plan for managing your money. You want to be certain that you don’t deplete your windfall through reckless spending, unwise investments, or a tax bill you did not expect. Here are some issues you should consider.

**ASSESS WHERE YOU STAND FINANCIALLY NOW**

Doing an inventory of where you are financially at this point in time can help you identify any gaps in your planning. Review your current investments, the way you presently allocate your assets, and whether your current investment strategy meets your needs or should be tweaked. Be certain that you have:

- **Sufficient life insurance:** Life insurance can help cover your family’s financial needs following your death. The policy’s proceeds can also pay for other expenses related to your estate.

- **Long-term care insurance:** Long-term care in a nursing home or other setting is expensive. A long-term care insurance policy can cover those expenses and preserve your assets.

- **A will:** Have a will drawn up. A will helps ensure that those you want to receive your assets will receive them.

- **A solid retirement plan:** Consider stepping up your retirement plan contributions now that your financial situation has changed for the better.

**DEFINE YOUR GOALS**

Define your goals and list them in order of priority. A financial windfall can help you achieve some of your goals — and the bigger the windfall, the more goals you will likely be able to reach. Common goals include:

- **Attaining retirement security**
- **Taking a special vacation**
- **Paying for the cost of a child’s or grandchild’s college education**
- **Funding a favorite charity**
- **Paying off a mortgage**
- **Buying a vacation home**

**SEEK ASSISTANCE**

Like many others, you may not feel comfortable handling a large financial windfall. You may be concerned about the potential impact of taxes on your newfound wealth, and you may worry about the optimal way to invest your windfall. A qualified financial professional can help you make the most of this opportunity.
One of the great things about your retirement plan is that it gives you the flexibility to change your investment choices if you consider it appropriate to do so. Here are some times when you’ll want to review your plan investments and your asset allocation and potentially make changes.

WHEN RETIREMENT IS NEAR
The number of working years you have ahead of you and your tolerance for risk are key factors to consider when you are investing for retirement. Younger participants with many years left until retirement may be able to take on a higher level of investment risk since their long-term investment horizon gives them time to ride out any downturns in the investment markets. As you draw closer to your retirement, you may want to avoid taking on excessive risk with your plan investments.

If you plan to retire in five years or less, it may be appropriate to shift from a strategy that emphasizes growth to one that stresses asset preservation. This may involve moving money out of stock investments and into more conservative choices so that more of your retirement plan portfolio would be protected if the stock market falls significantly.

WHEN YOUR RISK PROFILE CHANGES
Your willingness to handle the risk of losing your retirement money in the investment markets may change over time. You may sleep better at night taking on less investment risk. Or your tolerance for risk may change because of unforeseen financial occurrences in your life. You may, for example, face a health crisis or loss of income that leads you to want to preserve your investment gains rather than seek growth. Or you might become more comfortable with risk as you learn more about investing concepts and the different types of investments available to you.

WHEN REBALANCING IS NECESSARY
You may have decided how to allocate your retirement portfolio among the different asset classes by reviewing your time frame for investing, your tolerance for investment risk, other assets you may own, and your personal situation.* However, any significant change — up or down — in one asset class can throw your allocation off balance.

If that occurs, you may want to rebalance your retirement plan portfolio to reestablish the percentages you had originally allocated to stocks, bonds, and cash investments.** You may have to sell some investments and buy others to achieve the rebalanced plan account you originally constructed.

* Asset allocation does not guarantee a profit or protect against losses.
** Note that cash alternative investments may not be federally guaranteed or insured and that it is possible to lose money by investing in cash alternatives.

PORTFOLIO POINTERS
YOUR FIRST “REAL” JOB?
MAKE SMART FINANCIAL MOVES

Congratulations on your first career-track job. It’s an achievement you should be proud of. You’ll now have a regular paycheck — as well as bills and many other responsibilities. You’ll also have the chance to lay the foundation for your future financial wellbeing and security.

It’s best to start on that journey as soon as you can. Starting to invest at an early age sets you on the path toward achieving long-term financial goals. Whatever those goals are — buying a home, saving for retirement, or starting your own business — the younger you are when you start investing, the better. Here are a few ideas that may help you on this journey.

STAY CALM
To many young people, the expense of living on their own for the first time can seem overwhelming. And having new financial responsibilities may also mean making the difficult adjustment to a lower standard of living than that offered by their parents.

All too often, cash-strapped young people resort to using their credit cards to get by. However, credit card debt can make life more difficult. Charges can add up quickly if the balance is not paid off right away, making it even harder to make ends meet. Learn to live within a budget and you will be on the way to a more secure financial future.

JOIN YOUR RETIREMENT PLAN
If you haven’t joined your retirement plan at work, you should sign up as soon as you are eligible. Your contributions to the plan are deducted before your paychecks are paid out, so there’s no temptation to spend that money. And, any matching contribution that your employer makes is essentially “free” money. Contributions and investment earnings can grow tax deferred in the plan and have many years to benefit from potential compound growth. Over time, even relatively small contributions can really add up.

LEARN ABOUT INVESTMENTS AND INVESTING
Once you are contributing to your retirement plan, learn more about the different investment choices your plan offers. You might even spread your wings a little and look at other investment opportunities. There are many options geared toward young investors that require only a small minimum investment. However, before you commit money to any investment, you should take the time to fully understand its objectives and performance history, as well as your own ability to handle the risk of losing money you have invested (known as “risk tolerance”).

Your retirement plan makes investment information available to plan participants. And a financial professional can be another great resource for a young investor who is interested in learning more about investing for the future.