



Addressing a Retirement Savings Shortfall

Some potential ways to make up ground at mid-life.

Need to save more for the future? If you face the challenge of rebuilding or creating your retirement fund after 40, here are some steps that may help you.

Strive to max out your Individual Retirement Account or workplace retirement plan contributions. In 2018, you can put up to \$5,500 in an IRA and \$18,500 in a 401(k) or 403(b) plan. If you are 50 or older this year, you can contribute up to \$6,500 to an IRA and \$24,500 to a 401(k) or 403(b).¹

Ask for a raise. See if you can earn more from your current job. If not, consider applying for one with better pay or retirement benefits, or explore additional income streams.

Generate less debt. Every dollar that doesn't go to your creditors is a dollar you can put toward retirement. What unnecessary living expenses can you trim?

Think about staying in the workforce a little longer. For each year you keep working, you have one less year of retirement to fund—and one more year for your investment accounts and savings to potentially grow without being drawn down.

This will take discipline. Real progress is possible: if you are 50 and save and invest \$15,000 a year at a 7% return, you could have more than \$400,000 for retirement by age 65.²

Qualified accounts such as 401ks and traditional IRAs are accounts funded with tax deductible contributions in which any earnings are tax deferred until withdrawn, usually after retirement age. Unless certain criteria are met, IRS penalties and income taxes may apply on any withdrawals taken prior to age 59½. RMDs (required minimum distributions) must generally be taken by the account holder within the year after turning 70½.

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¹ forbes.com/sites/ashleaebeling/2017/10/19/irs-announces-2018-retirement-plan-contribution-limits-for-401ks-and-more/ [10/19/16]

² usatoday.com/story/money/personalfinance/2016/01/26/5-simple-ways-catch-up-your-retirement-savings/77718908/ [1/26/16]