

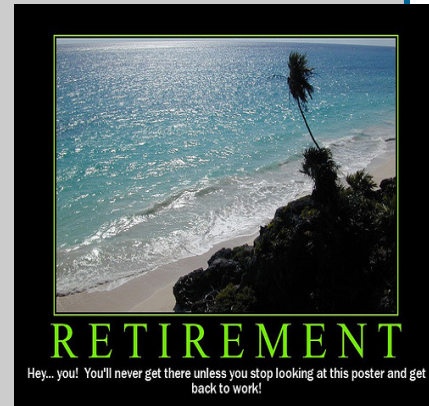
## Retirement Now?

Many typical 20-somethings have college loan payments, cell phone payments, and one or more credit cards, as well as food, rent and even healthcare! On top of that many of us are trying to save for houses, land jobs and find the loves of our life... There is one thing that most people this age don't think about; retirement. But; right now is the best time to start saving! How is it possible to start to save for retirement now, when most of our money is being used for more immediate things? Here are some fairly painless and cost effective ways to save money now, keep it long term, and end up with a nice retirement account.



### Tips that Work Now

- While in school set up an IRA (individual retirement account).**  
Choose between a traditional IRA and a Roth IRA. Both have advantages and disadvantages. IRAs can be set up at most banks or credit unions and many banks & credit unions offer FREE financial advisors when you set up an IRA.  
**Please watch the following MSN video which explains IRAs:**  
<http://articles.moneycentral.msn.com/learn-how-to-invest/why-invest-in-an-ira.aspx>
- Use The recession to your advantage!**  
According to a WSJ.com article, "Declining stock prices actually favor young investors, because it means the shares they buy have more room to grow in the decades before they hit retirement." Although the stock market may seem like a disaster, it is a great time to get in the stock market and make long term investments. (<http://www.wsj.com/article/SB122229929230573245.html?mod=article-outset-box>)  
**Please watch the following CNN video which talks about what to do at different age groups:**  
<http://www.cnn.com/video/?/video/business/2008/10/08/seg.clark.howard.cnn>
- If your employer has a 401K option, use it. Employer matching means FREE money!**  
With 401K plans, you end up paying less in taxes because the money is taken right out of your pay check so you're taxed on less income. Also, some employers will match all or part of what you contribute each month. Make sure, if your employer does match, that you put enough money into the 401(k) to receive the full benefit of the employer match.
- Compounded interest works! Take advantage of it.**  
According to a WSJ.com article "As experts are quick to point out, young workers don't necessarily have to save a lot to have a big effect on their future retirement savings. Over time, the power of compounding will amplify the growth of money saved in your 20s. For example, if you invest a modest \$100 a month for 40 years in an investment account earning 7% annually, you will end up with \$262,000." Think what happens as you get older and start investing more! (<http://www.wsj.com/article/SB122229929230573245.html?mod=article-outset-box>)
- Sign up for an EFT into your retirement account.**  
Set up an electronic fund transfer into your IRA. You'll hardly miss the money that comes right out of your checking account and with compounding interest, investing even just \$25-\$50 a month can really add up over the long term!
- Diversify your portfolio.**  
Investing in multiple areas will insure that even though some of your stocks go down, others will rise. Look into mutual funds, ETF's (Exchange Traded Funds), and bonds.
- Don't count on Social Security!**  
Anyone born after 1960 will not qualify for full Social Security benefits unless retiring after turning 67, so don't count on it.
- Take personal responsibility!**  
The bottom line: As retirement planning becomes more and more consumer driven, no one else is going to plan your retirement for you. It's something you need to do yourself.
- Start now, and SAVE!**



## Mistakes That Will Sink Your Money

- Don't cut back on your 401K contributions!** Employers often match what you contribute so when you cut back, they cut back; and you end up losing out on free money.
- Don't borrow against your 401K!** It can be tempting to use that "free" money during these hard times, but it can be costly. You are actually reducing your retirement funds and there are also IRS tax penalties you could face if repaying the 401K doesn't go as planned.
- Don't cash out your 401K or take an early retirement!** If you cash out your plan, it will be considered income, and taxed. Also, if you take this out before you are 59 1/2 years old you could incur a 10% penalty. (<http://www.fool.com/personal-finance/general/2008/07/30/dont-cash-out-that-401k.aspx>)
- Retirement stocks are NOT short term investments!** When you see your retirement account balances falling, it's reasonable to want to avoid losses by reinvesting in safer bets, but, as gut-wrenching as it might be, for young investors it pays to hold your ground.

### Resources & Reference Information (information was taken from some of the following sites for this newsletter)

- <http://www.irs.gov/pub/irs-pdf/p590.pdf>
- <http://www.kiplinger.com/columns/starting/archive/2006/st0309.htm>
- [http://www.schwab.com/public/schwab/planning/retirement/retirement\\_savings\\_calculator](http://www.schwab.com/public/schwab/planning/retirement/retirement_savings_calculator)
- <http://www.socialsecurity.gov>
- [http://www.dol.gov/ebsa/publications/10\\_ways\\_to\\_prepare.html](http://www.dol.gov/ebsa/publications/10_ways_to_prepare.html)
- [http://www.youngmoney.com/investing/investing\\_basics/020809\\_01](http://www.youngmoney.com/investing/investing_basics/020809_01)
- [http://www.youngmoney.com/investing/investing\\_basics/020605\\_02](http://www.youngmoney.com/investing/investing_basics/020605_02)
- <http://www.usnews.com> (most information came from this site)
- <http://www.wsj.com/article/SB122229929230573245.html?mod=article-outset-box>
- <http://www.fool.com/personal-finance/general/2008/07/30/dont-cash-out-that-401k.aspx>

This newsletter is made possible through an EDSHARE® grant.

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