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Are Your Retirement Savings on Track?

Checking your progress against benchmarks can help you see where you stand.

Most people will fund retirement primarily from personal retirement savings and Social Security benefits. And, considering that you may spend 30 years or more in retirement, it's important to save enough so that your money will last. "A quick way to check your progress is to consider how much you've saved by certain ages," says Judith Ward, CFP®, a senior financial planner with T. Rowe Price. "We refer to the target levels as savings benchmarks."

Your savings benchmark

To find your savings benchmark, look for your approximate age and consider how much you've saved so far for retirement. (See "Savings Benchmarks by Age.") Compare that amount with your current gross income or salary.

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KEY POINTS

- It's important to save enough so that your money will last throughout your retirement.
- In general, the higher your household income, the more you will need to rely on personal savings during retirement.
- Investors should aim to save at least 15% of their income in order to reach the savings benchmarks at various ages.

For example, a 35-year-old earning $60,000 would be on track if she has saved about one year of her income, or $60,000. Most 50-year-olds would be on track if they've saved about five times their income. If considering a household, use the older partner's age and the total income and total retirement savings of the household.

These benchmarks assume you'll be dependent primarily on personal savings and Social Security benefits in retirement. However, if you have other income sources (e.g., a pension), you may not have to rely as much on your personal savings, so your benchmark would be lower.

There's a range

The midpoint benchmarks are a good starting point, but circumstances vary by person and over time. Key factors that affect the savings benchmarks include income and marital status.

For example, higher-earning households will need to rely more on personal savings because Social Security benefits will make up a smaller percentage of retirement income. Likewise, singles may need a greater amount saved since they will be more affected by the cap on Social Security benefits than married couples. Depending on your personal circumstances, you may want to consider other benchmarks within the ranges. (See "Nearing Retirement: A More Detailed Look," on page 3.)

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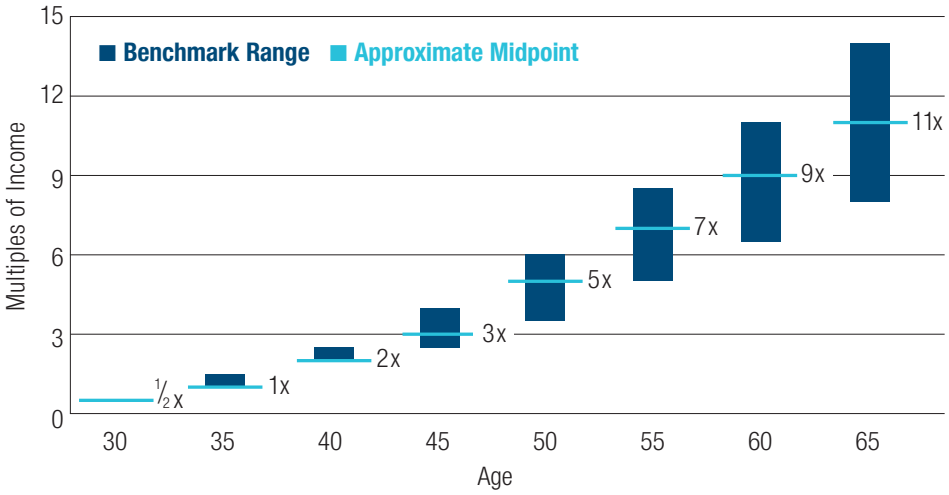
Savings Benchmarks by Age

Approximate savings goals as a multiple of income.



Assumptions: Benchmarks are based on a target multiple at retirement age and a savings trajectory over time consistent with that target and the savings rate needed to achieve it. Household income grows at 5% until age 45 and at 3% (the assumed inflation rate) thereafter. Investment returns before retirement are 7% before taxes, and savings grow tax-deferred. The person retires at age 65 and begins withdrawing 4% of assets (a rate intended to support steady inflation-adjusted spending over a 30-year retirement). Savings benchmark ranges are based on individuals or couples with current household income between $75,000 and $250,000. Target multiples at retirement reflect estimated spending needs in retirement (including a 5% reduction from preretirement levels); Social Security benefits (using the SSA.gov Quick Calculator, assuming claiming at full retirement ages and the Social Security Administration's assumed earnings history pattern); state taxes (4% of income, excluding Social Security benefits); and federal taxes (based on rates as of January 1, 2018). While federal tax rates are scheduled to revert to pre-2018 levels after 2025, those rates are not reflected in these calculations. "Dual income" means that the one spouse generates 75% of the income that the other spouse earns. For the benchmarks in "Savings Benchmarks by Age," we assume the household starts saving 6% at age 25 and increases the savings rate by 1% annually until reaching the necessary savings rate.

Nearing Retirement: A More Detailed Look

Depending on your personal circumstances and income, you may want to consider other benchmarks within the ranges.

	Married, Dual Income			Married, Sole Earner			Single		
Current Household Income	Age 55	Age 60	Age 65	Age 55	Age 60	Age 65	Age 55	Age 60	Age 65
$75,000	5½ x	7½ x	9 x	5 x	6½ x	8 x	6½ x	8½ x	10½ x
$100,000	6½ x	8½ x	10½ x	5½ x	7 x	9 x	7 x	9 x	11½ x
$150,000	6½ x	9 x	11 x	6½ x	8½ x	10½ x	7½ x	10 x	12½ x
$200,000	7 x	9 x	11½ x	7 x	9½ x	12 x	8 x	11 x	13½ x
$250,000	7 x	9½ x	12 x	7½ x	10½ x	13 x	8½ x	11 x	14 x

Staying focused

If you're on track, keep prioritizing your retirement savings. Generally speaking, most investors should save at least 15% of their income (including any company contributions) in order to achieve the savings benchmarks at various ages.* If you're a high earner, however, the savings rate you'll need to get there can be well above 15%.

"If you're not on track, focus less on the shortfall and more on the incremental actions you can take to secure your future," says Ward.

Consider the following steps:

- Take advantage of the full company match in your workplace retirement plan.
- Increase your savings rate right away and then continue to increase it gradually over time.
- Consider part-time or consulting work in retirement to continue earning income.

Taking a few minutes now to measure your progress could alter the outcome of your financial future and help you achieve your long-term goals. ■

*It may be possible to achieve your retirement goals with a lower savings rate than 15% if you get an early start on saving or if you have relatively low income. Additionally, people in some circumstances may not be able to meet their savings goals solely through tax-advantaged plans. However, we believe 15% or more is an appropriate target for most people considering the wide range of potential financial changes over your lifetime.

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