

Millennials – The Time to Start Saving is Now!



Typically, younger people don't make retirement savings a priority. Living expenses, student debt, rent or house payments, and other day-to-day expenses mean that retirement savings take a back seat. In fact, research from National Institute on Retirement Security says that 66 percent of millennials haven't saved any money for retirement, and 66 percent haven't started saving.¹ That attitude, however, will make it much more difficult to have a secure retirement later, according to seasoned retirement plan advisors.

The main thing that millennials are sacrificing by not saving now is time. Time allows funds to grow through compounding, and that can turn

relatively modest savings into much larger nest eggs. For example, saving \$50 each month in a retirement account earning 6.5 percent annually and compounded monthly would generate retirement savings of \$226,781 over 50 years. A millennial who starts saving the same amount 30 years later, allowing it to only compound for 20 years, would have only \$24,525 at the end of the 20 years.²

And \$50 each month isn't a huge amount, even for a cash-strapped millennial. Some other retirement savings tips include:

- Take full advantage of employer-sponsored retirement plans, like 401(k) or 403(b) plans. Funds contributed to these tax-advantaged programs grow free of taxes, which means more money stays in the account to generate interest.
- Contribute at least as much as your employer is willing to match. If your employer matches 3 percent of your salary, you should start by contributing that much.
 - Otherwise, you're "leaving money on the table." Your employer match instantly increases your contribution, and your money grows faster.
- Don't worry about not being an investment expert. Many retirement plans now offer "do it for me" solutions in the form of Managed Accounts or Target Date Funds. Managed accounts and target date funds share similar attributes, such as being multi-asset vehicles that adjust their allocations as you approach retirement. Through professional management, they both simplify portfolio diversification, help mitigate potential behavior biases and take investor emotions out of the decision-making process.

One common objection millennials have about contributing to an employer-based retirement fund is that they may not stay with that employer. Actually, very few people stay with a single employer for their entire careers, and retirement plan funds can be rolled over into a new employer's plan or rolled over into an IRA if you leave your job.

Questions? Contact MCF at retire@mcfadvisors.com or 859.967.0990

¹ Millennials Report, NIRS. <https://www.nirsonline.org/wp-content/uploads/2018/02/Millennials-Report-1.pdf>

² Simple Savings Calculator, Bankrate. <http://www.bankrate.com/calculators/savings/simple-savings-calculator.aspx>

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