What Future Retiring Minds Need to Know - Now

by vcmorris - Thursday, March 25, 2010

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What's a realistic and healthy mindset for young people regarding their retirement needs and plans?

I asked my longtime friend Mary Beth Franklin who is senior editor at Kiplinger's Personal Finance Magazine and editor of the annual must-read Kiplinger's Retirement Planning Guide. MB always has the latest information in advance and is a whiz at interpreting the most logical and profitable ways for her readers to benefit.

She says: *"While it may seem odd, younger workers in their 20s and 30s should positively rejoice! Those who started their careers during the first decade of the new century witnessed the worst ten year performance in U.S. stock market history. But this lost decade could reap big rewards."*

How's that for a positive reference point and mindset for young workers?

MB goes on to say: *"Recent research by mutual fund company T. Rowe Price found that those who began investing regularly during severe bear markets in the past were significantly better off 30 years later than investors who began during bull markets because they could buy more shares at lower prices."*

She and I agree – the key – the mind over money mentality that's needed: start early. We know it's hard some times for young people who are just starting their careers to think about a time far into the future when they'll be ending them. But the best time to start saving for your retirement – is now.

It's your money so take it personally.   Here's what MB suggests that young people do *right now* in order to be well positioned financially when they retire:

- Sign up for your employer's 401(k) plan *or* don't opt out if you're automatically enrolled
- Contribute at least enough to capture your employer's match
- Boost your contribution by 1% a year or more – ultimately, your goal should be to save 15% of your salary including the employer match
- Make sure you're invested appropriately – don't let the past market turmoil scare you
- With decades ahead to save, you can afford more risk so load up on stocks that are relatively cheap in today's market
- Get advice. Increasingly retirement plan administrators are offering personal guidance to help you set and monitor your retirement savings goals
- Check out free online tools such as TD Ameritrade's WealthRuler (www.tdameritrae.com/wealthruler) or Fidelity's My Plan(www.fidelity.com/myplan)

While these suggestions are specifically addressing what future retiring minds - as in 20 and 30 year olds

- need to know, Mary Beth says most of the rules also apply to mid-career workers in their 40s who still have plenty of time to build a comfortable nest egg. Minding over one's money at every age - matters.

Here's to your health and wealth.