

Why is Retirement Planning Important?

It is never too early to plan for retirement. Planning for retirement will help you build a sense of security after you make the transition from employment to retirement. Importantly, by planning for retirement you will more likely stay independent instead of placing a big pressure on your family and loved ones to take care of you at an old age.



How Do I Save for Retirement with a Small Salary?

- ☐ **Set up a direct deposit.** Have a portion of each paycheck automatically deposited into a 401(k), IRA, savings, or investment account. Start with as little as 1 percent of your pay and as you receive raises, direct a portion of each one into a retirement or investment account.
- ☐ **Take advantage of tax breaks.** Saving in a retirement account has the added bonus of reducing your current or future taxes. Traditional 401(k)s and IRAs give you a tax break in the year you make the contribution.
- ☐ **Claim the saver's credit.** There is a tax credit specifically for low-income workers who save for retirement. If you contribute to a retirement account such as an IRA or 401(k), you may be able to claim the saver's credit.
- ☐ **Redirect your tax refund and tax break.** If you don't need your tax refund for immediate expenses or debts, consider saving a portion of it for retirement.
- ☐ **Learn about Social Security.** Social Security payments are the biggest source of retirement income for low-wage workers. The age when you decide to start your benefit can make a big difference in how much your monthly payments will be for the rest of your life. Think carefully about whether you want to start that Social Security benefit right away when you hit 62, or whether it's really more valuable to you to wait until age 70 if you can do so. Monthly payouts increase for each year you delay claiming up until age 70.
- ☐ **Seek a job with good retirement benefits.** Finding a job that offers a traditional pension, a significant 401(k) match, or a profit-sharing plan can significantly improve your retirement security.
- ☐ **Don't spend your savings early.** Once you begin to build a nest egg, try not to spend any of it before retirement. Early withdrawals also mean that you won't have that money and the valuable compound interest it could have generated in retirement.

<http://money.usnews.com/money/retirement/articles/2011/04/11/how-to-save-for-retirement-on-a-low-income?PageNr=2>