

Activity 1

PART 2: ADD IT UP

To determine how much you should start saving today in order to afford the lifestyle you want in retirement, you'll need to create a budget and work backwards. Use this chart to practice.

Retirement Planning Practice	
1. Determine your annual budget. Assume you will need \$65,000 per year to live on.	\$
2. Calculate what you expect to get annually from Social Security. Assume you will receive the average benefit, which is \$1,404 per month.	\$
3. Deduct Line 2 from Line 1	\$
4. Many experts suggest that 4% is a reasonable amount to take out of your retirement account per year. Using this guideline, calculate what your account balance needs to be the year you retire. (Line 3 ÷ .04)	\$
5. Use a calculator to find out how much you would need to save per year (excluding interest) to reach that total by age 67, if you start saving:	
40 years before retirement	\$
30 years before retirement	\$
20 years before retirement	\$

Once you have begun working and paying into Social Security, you can check your expected benefit on the Social Security Administration's website at www.ssa.gov/benefits/retirement/estimator.html. Keep in mind that this is just an estimate, and can change over time.

