



“ On T h e M o n e y R e p o r t ”

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4 Simple Rules For Your Retirement Planning

The magic number

Consider your expenses after retirement and calculate the following:

A good rule of thumb is that your nest egg should be at least 20 times your annual expenses. That should enable you to pull 5 percent of your savings each year without tapping principal. So, if you think you'll need \$100,000 a year to be happy, your magic number is \$2 million. To really live the good life, on say \$250,000 year, you'd need to amass \$5 million.

Get your budget in order

Don't think of budgeting as going on a diet. It shouldn't be a source of deprivation. Let it become a matter of choice or just a setting of priorities. Your budget should be about choosing the goals that are most important to you. About what you *can* have in the future-not what you can't have today! By making your desires a priority, a budget rewards you with what you want. And it lets you plan for the long term while letting you cover your bills today.

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Tackle that debt

Ideally, your monthly debt and housing expenses should not exceed 36 percent of your monthly gross income. If you're over that limit, or if your financial goal requires that you save far more than such a limit would allow, getting your debt under control should be a top priority.

If you're a homeowner, and you haven't refinanced already, you may want to take the plunge, since mortgage rates have been holding at or near historic lows. The chance to secure a fixed low rate today can save you money in the short term, and the long term if you do it right.

Beware of plastic. Nothing stands in your way more than credit card debt. You often pay punitively high interest rates for months or years, often for things you consumed long ago.

First, call your credit card company and ask if they'll reduce your interest rate -- if you've been a good customer of long-standing, sometimes all you have to do is ask.

Finally, pay as much as you can each month until you get your balance to zero -- and then keep it there. If you've got more than one credit card, pay off your highest interest balance first.

As tough as it may be to rein in yourself today, the sacrifices you make will be worth it if they help you meet your goal.

Finally, save and invest

Once you're on a budget and have your debt under control, it's time to start making your money work for you. And the sooner you start putting money away, the less you'll need to save monthly, because you've got time -- and compounded growth -- on your side.

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“On The Money Report”

A 30-year-old with \$10,000 in taxable accounts and \$10,000 in a 401(k) could retire with \$2.2 million at age 60 -- if she puts \$10,000 a year into her tax-deferred accounts and another \$10,000 a year into taxable investments. (That assumes an 8 percent annualized rate of return, a 30 percent federal tax bracket and a 6 percent state tax bracket.)

Its never too late to start saving or investing, but the sooner you begin, the less you'll have to save later.

Steve

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Additional sources: cnmmoney

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