

How Much Money Do I Need to Retire?

Does your dream retirement include traveling the world, enjoying quiet time with family and friends, or golfing every day? Whatever your vision for retirement, you need funds to live your best life.

The good news is that it's never too late to start saving for retirement. With planning and organization, you can determine how much you need to save and get on the right path.

When it comes to retirement planning, investors ask, "How much money do I need to retire?" Generally, financial experts say you need 80% of your pre-retirement income to maintain a similar lifestyle, but that's not a hard-and-fast rule. Some people have big plans that will require serious cash, while others can live modestly.

If you want to live large, you might need 100% pre-retirement income. If you're downsizing or have paid off your mortgage, you may be fine with less than 80%.

To help guide your calculations, let's walk through some considerations.

Have you been saving?

Some savvy investors start squirreling away retirement money in their 20s, but plenty of Americans wait longer. That's OK! It is never too late.

If your employer offers a 401(k) investment plan, sign up and start funding the account. Some companies will match contributions, so check with your representatives. Since 401(k) accounts take money pre-tax from your paycheck, it's a smart choice to max out your contributions.

Another option is to open an [individual retirement account, or IRA](#), which is a savings account with tax benefits that you set up with a financial institution like Interra Credit Union.

Your IRA savings will grow over time and, once you hit 59.5 years old, you can take out predetermined amounts tax-free or with tax benefits. Word of caution: If you tap into the account early, you'll pay hefty tax penalties.

Whether you opt for a 401(k) or an IRA, it's a good idea to open a retirement savings account ASAP and contribute as much as you can comfortably afford per month.

When do you plan to retire?

As you think about how much money you'll need in retirement, age is a major consideration. If you plan to clock out the minute you hit 60, you'll need more money than someone who works until they're 75.

If you're dreaming about early retirement, you may need to save more aggressively than someone who draws a paycheck into their mid-70s. To budget correctly, consult with an Interra Credit Union [financial advisor](#) or use a [retirement calculator](#).

What kind of lifestyle do you want in retirement?

The bigger your retirement plans, the more money you'll need. If you plan to live modestly, you may be able to live comfortably on \$1 million in retirement savings or possibly less.

Retirees who want to relocate to warm (and pricey) destinations like Arizona or Florida or travel the globe may need upwards of \$2 million in retirement funds.

Want to do it all? That will cost even more.

Will you have any income coming in?

Retirement can mean a lot of different things. Some Americans stop working and rely solely on their investments and pensions, while others have secondary revenue streams or can work part-time. You might have income from an investment portfolio, rental properties, or a stake in businesses. Also, some Americans opt to slow down, rather than retire completely.

If you're lucky enough to have additional sources of income, you may not need to save as much in a traditional retirement account. Another option is to get a part-time job or side hustle to generate extra cash.

Factor in Social Security and pensions

While you've been working hard, you've been contributing to Social Security. When you hit 62 years old, you can tap into monthly Social

Security disbursements, or defer it until up to 70 years old and receive slightly larger benefits.

While Social Security checks probably aren't enough to fund your retirement, they certainly help and reduce your draw on retirement savings. Factor that into your retirement picture if you receive a pension.

Consider this example: If you need \$8,000 per month to live comfortably in retirement and receive \$2,000 per month from Social Security and \$1,000 from a pension, you'll only have to draw \$5,000 from your savings.

Start saving for retirement with Interra Credit Union

When you're ready to start planning for retirement, [Interra Credit Union](#) is here to help. Our wealth management professionals will explain your options and help you craft a plan to save for a comfortable future.

Learn more about your options by [visiting one of our branches](#) today or calling us at 574-534-2506.