**Have a Plan to Catch Up on Retirement Savings**

**By Ken Bloom, J.D., LLM**

It seems every week there is an article or TV news story about the upcoming "retirement crisis." These stories are driven by national surveys that indicate the majority of working American's have not saved nearly enough for retirement. In fact, many of those surveyed have indicated that they haven't saved anything.

A recent survey by Gobankingrates.com indicates that only 1 in 4 people surveyed age 55 and over has more than $300,000 saved. When you consider the rising cost of living, especially health care, that people face in retirement, having a large nest egg is vital to ensure you can have a comfortable retirement and won't run out of money in retirement.

While low savings for people in their 30s or 40s can be corrected over time, it becomes much more serious for members of the baby boom generation who are rapidly approaching retirement.

If you are nearing retirement and find yourself in this under-funded situation, here are some tips that can help you catch up:

**Follow a strict budget to cut expenses now**-The best way to start saving more for retirement is to cut the amount of money you spend each month. The first thing to do is develop a budget to track your expenses. Most people do not have a good idea of what they need to maintain their standard of living. Once you know how much you are actually spending you can make conscious decisions on what you can cut to help save more money. If you are married, it is important for both spouses to be actively enrolled in this budgeting process to maximize the amount of money you can save.

**Take savings and add to retirement fund**-It's one thing to cut expenses, but it is vital to make sure that extra money you save goes directly into a retirement fund instead of spending it on other things. For example, I often hear people say they are thrilled that they won't have a car payment anymore, but instead of taking that extra money and saving it (or paying off credit card debt) they spend it on something else they could live without.

**Maximize 401(k) or IRA contributions-**If you have a 401(k) or 403(b) plan at work, make sure you are contributing the maximum amount you can. If both spouses have a plan that can really add up. For 2017, that maximum is $24,000**.** That is especially important if your employer matches any portion of your 401(k) contributions, because in essence that is free money you get as a bonus for saving for retirement. An added benefit of contributing to a 401(k) is a reduction of your taxable income – money contributed to a 401(k) plan lowers your taxes and I have yet to meet anyone who complains that that they pay too little in taxes. Furthermore, money in a 401(k) (or tax deferred account) is not subject to taxation until withdrawn so you don't pay anything on the earnings until much later.

If you don't have a retirement plan at work, you and/or your spouse should contribute to either a traditional or ROTH IRA the maximum amount you can. For 2017, the maximum amount you can contribute to an IRA is $5,500**.** If you are 55 years of age or older, you allowed to contribute a catch-up amount for an IRA of an additional $1,000.

**Plan to work until your Full Retirement Age (FRA) to maximize Social Security Benefits**- Many people plan on relying solely (or substantially) on Social Security benefits at retirement. To maximize Social Security benefits, you need to wait to claim them. Although you can begin receiving benefits as early as age 62, claiming benefits then results in a permanent reduction of benefits of 25% or more (https://www.ssa.gov/planners/retire/agereduction.html). Unless you have other resources to supplement Social Security, waiting to at least your full retirement age (66 for individuals born before 1954 and 67 for those born in 1960 or later) will provide greater income. Working longer and waiting until at least your full retirement age increases the likelihood that you will have a comfortable retirement.

If you can continue working past your FRA before taking Social Security your benefits will increase 8% for each year you wait up to age 70.

**Consider working at something you love after FRA to add income in retirement-** If you receive Social Security benefits before reaching your full retirement age, your benefits are subject to being reduced if you earn more than a certain amount (https://faq.ssa.gov/link/portal/34011/34019/article/3739/what-happens-if-i-work-and-get-social-security-retirement-benefits). However once you reach FRA, you can take your Social Security benefits and still make as much money as you can earn without penalizing the amount of monthly benefits you receive. Continuing to supplement your income is another good way to help you fund your retirement and ensure you don't run out of money. But that doesn't mean you have to continue to work at the same job. I know many people who reach FRA, take their full benefits and then work at something they love to supplement their income.

**Get healthy now to lower health care costs in retirement**-One of the biggest expenses during retirement is health care costs. Older Americans pay higher health care expenses so even though we can't control how much health insurance will cost in the future, we can get our health under control now so we don't have any serious health problems when we retire. If you have a treatable condition such as diabetes, high cholesterol or blood pressure, for example, do what is necessary now to get it under control and keep it controlled so you won't have to spend extra funds on prescriptions and other medical treatments when you retire.

While nearing retirement without enough money saved is a problem, it doesn't have to be a catastrophe if you take some steps to get yourself back on track with expenses and smart saving. Once you start saving more and have a better financial plan, having retirement on the horizon is something you can look forward to instead of dread.