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Don’t Let Your Retirement Savings Goal Get You Down

While it’s not something people like to think about, naming beneficiaries for your assets is critical to ensuring that your loved ones are taken care of when you are gone. Watch to learn about the types of assets that should have named beneficiaries, as well as how often you should review your designations.

Setting your retirement accumulation goal is a key factor of your long-term retirement strategy. Read on for a breakdown of what you should make a priority when planning.

As a retirement savings plan participant, you know that setting an accumulation goal is an important part of your overall strategy. In fact, over decades of conducting its annual Retirement Confidence Survey, the Employee Benefit Research Institute (EBRI) has found that goal setting is a key factor influencing overall retirement confidence. But for many, a retirement savings goal that could reach as high as $1 million or more may seem like a daunting, even impossible mountain to climb. What if you’re contributing as much as you can to your retirement savings plan, and investing as aggressively as possible within your risk comfort zone, but still feel that you’ll never reach the summit?

As with many of life’s toughest challenges, it may help to focus a little less on the result and more on the details that help refine your plan.

Retirement Goals Are Based on Assumptions

Whether you use a simple online calculator or run a detailed analysis, remember that your retirement savings goal is based on certain assumptions that will, likely, change over time. Assumptions may include:

Inflation. Many goal-setting calculators and worksheets use an assumed inflation rate to account for the rising cost of living both during your saving years and after you retire. Although inflation has averaged about 2.2 percent over the last 20 years, there have been years when inflation has spiked into double digits.[1] No one can say for sure where prices are headed in the future.

Rates of return. Perhaps even more unpredictable is the rate of return you will earn on your investments over time. Although most calculators use estimated rates of return for pre- and post-retirement years, returns will fluctuate, and there can be no guarantee that you will consistently earn the rate that is used to calculate your savings goal.

Life expectancy. Retirement savings estimates also usually use an assumed life expectancy, or other time frame that you designate, to determine how long you will need your money to last. Without a crystal ball or time travel machine, however, no one can make exact predictions in this arena.

Salary adjustments. Calculators and worksheets may also include assumptions for pay increases you might receive through the years, which could impact both the lifestyle you desire in retirement and the amount you save in your employer-sponsored plan. As in other areas, salary adjustments are just estimates.

Retirement expenses. Can you say for certain how much you will need each month to live comfortably in retirement? If you're five years away, the answer to this question may be much easier than if you're 10, 20, or 30 years away. In order to give you a targeted savings goal, retirement calculators must make assumptions for how much you will need in income during retirement.

Social Security, pension, and other benefits. To be as accurate as possible, a retirement savings goal should also account for additional benefits you may receive. However, these types of benefits typically depend on your earning history, which cannot be accurately assessed until you approach retirement.

All these assumptions point to why it's so important to review your retirement savings goal regularly—at least once per year and when major life events (e.g., marriage, divorce, having children) occur. This will help ensure that your goal continues to reflect your life circumstances as well as changing market and economic conditions.

Break It Down

Instead of viewing your goal as one big number, try to break it down into a monthly amount—i.e., try to figure out how much income you may need on a monthly basis in retirement. That way, you can view this monthly need alongside your estimated monthly Social Security benefit, anticipated income from your current level of retirement savings, and any pension or other income you expect. This can help the planning process seem less daunting, more realistic, and most important, more manageable. It can be far less overwhelming to brainstorm ways to close a gap of, say, a few hundred dollars a month than a few hundred thousand dollars over the duration of your retirement.

Make Your Future Self a Priority, Whenever Possible

While every stage of life brings financial challenges, each stage also brings opportunities. Whenever possible, put a little extra toward your retirement.

For example, when you pay off a credit card or school loan, receive a tax refund, get a raise or promotion, celebrate your child's college graduation (and the end of tuition payments), or receive an unexpected windfall, consider putting some of that extra money toward retirement. Even small amounts can potentially add up over time through the power of compounding.

Another habit to try to get into is increasing your retirement savings plan contribution by 1 percent a year until you hit the maximum allowable contribution. Increasing your contribution by this small amount may barely be noticeable in the short run—particularly if you do it when you receive a raise—but it can go a long way toward helping you achieve your goal in the long run.

Retirement May Be Different Than You Imagine

When people dream about retirement, they often picture images of exotic travel, endless rounds of golf, and fancy restaurants. Yet the older people get, the more they may derive happiness from ordinary, everyday experiences such as socializing with friends, reading a good book, taking a scenic drive, or playing board games with grandchildren. While your dream may include days filled with extravagant leisure activities, your retirement reality may turn out much different—and that may be a matter of choice.

In addition, some retirees are deciding that they don't want to give up work entirely, choosing instead to cut back their hours or pursue other work-related interests.

You may want to turn a hobby into an income-producing endeavor, or perhaps try out a new occupation—something you've always dreamed of doing but never had the time. Such part-time work or additional income can help you meet your retirement income needs for as long as you remain healthy enough and interested.

Plan Ahead and Think Creatively

Chances are, there have been times in your life when you've had to find ways to cut costs and adjust your budget. Those skills may come in handy during retirement. But you don't have to wait to begin thinking about ideas. Consider ways you might trim your expenses or enhance your retirement income now, before the need arises.

Might you downsize to a smaller home or relocate to an area with lower taxes or a lower overall cost of living? Will you and your spouse need two vehicles, or might you simply own one and rent another on the occasional days when you need two? Could you put that extra bedroom to use by taking in a boarder, who might also help out with household chores, such as mowing the lawn or shoveling the sidewalks? Or maybe you can cancel that expensive gym membership and turn the spare bedroom into a home workout room.

Jot down any ideas that come to mind and file them away with your retirement financial information. Then when the time comes, you can refer to your list to help refine your retirement budgeting strategy.

The Bottom Line

As EBRI finds in its research every year, setting a goal is indeed a very important first step in putting together your strategy for retirement. However, you shouldn't let that number scare you. As long as you have an estimate in mind, understand all the various assumptions that go into it, break down that goal into a monthly income need, review your goal once a year and as major life events occur, increase your retirement savings whenever possible, and remember to think creatively both now and in retirement—you can take heart knowing that you're doing your best to prepare for whatever the future may bring.

[1] Consumer Price Index, Department of Labor, January 2020

Have questions? Need help? Call the CAPTRUST Advice Desk at 800.967.9948, or [schedule an appointment]() with a retirement counselor today.

