RETIREMENT 101, PART 6: YOU CAN'T AFFORD NOT TO SAVE

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In this installment of our Retirement 101 blog series, we'll discuss how to afford saving for retirement even when times are tough. When the economy goes south, people often forget about retirement planning or just stop doing it because they think they can't afford it. But the truth is that you can't afford *not* to save for retirement. Costs only go up over time, and the longer you put off saving for retirement, the harder it will be. It's never too late to start saving for retirement, but the earlier you start, the better off you will be. Remember that, while you can finance things like college, homes, weddings, etc., you cannot finance your retirement. You have to pay for it yourself. And regardless of how economically you live, Social Security will likely not be enough to cover your needs. **So how can you afford it right now?** You may be wondering how to afford it when you're already struggling to make ends meet. But it may be easier than you think to make a small sacrifice now that can add up to a big difference later. For example, how much is that cup of coffee you grab every day? Maybe you think that saving that $1 a day won't make a big difference over time, but it could. One dollar per day is more than $300 per year, $3 per day adds up to nearly $1100 per year, and $5 per day is more than $1800 per year. Over time, that $300, $1100 or $1800 you invest can begin to compound and create a really significant difference in your retirement readiness. Plus, if you invest that money in a tax-deferred 401(k) plan, that $300 feels more like $225 to you. Even $1800 feels closer to $100 a month or $50 per pay period. Again, that small sacrifice now could make a big impact later.

Cost of coffee per day (savings)	Annual investment	Difference in your paycheck if invested in 401(k)
$1.00	$365	$275 per year, $11.50 per pay period
$3.00	$1,095	$821 per year, $34 per pay period
$5.00	$1,825	$1369 per year, $57 per pay period

Assuming a 25% tax rate and 24 pay periods per year.

Save early and often As you can see, even that $1 per day can make a big difference over time. And if that's all you can afford, it's better than doing nothing. Once you determine how much you might be able to save, you should start saving right away. Consider that interest and earnings compound over time. For example, if you invest $100 and earn 5%, at the end of the year you'll have $105. Then, even if you don't invest any more, you begin to earn interest on the interest as well, so if you earn another 5% the following year, you'll have $110.25. And so on and so on. **Consider ETFs** Exchange-traded funds (ETFs) may provide many benefits that make them attractive for retirement savings. But perhaps the most compelling are their low fees. Lower fees mean more of your investment is working for you. And just like that $1 per day can make a big difference over time, 1% lower fees per year can make a big difference as well, as we illustrated in previous blogs. It's never too early—or too late— to save, and every little bit helps, so get going. For more information on ETFs, 401(k) plans or other investment topics, please visit www.wisdomtree.com. In future installments, we'll discuss ways to determine how much you need to retire—and much more. *Read our 401(k) series here.*

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