

Tips for Teens

Retirement Income

By Stephen Bowman

Maybe you're a little young to think about where your paycheck will come from when you officially retire but it's better to start young than when retirement is looming around the corner. Many people look at their finances for retirement when they are around 50 (if at all) and typically it's a bit late by then!



So, we wanted to spell out a few tips and tools that may come in handy before you call it quits. These are some topics that you may have heard of but will become increasingly important to you as you earn income and start to plan.

First, let's talk about Social Security.

This is the catch all that everyone who is working pays into every paycheck. Over 7% of your pay goes into this fund. Your employer also puts in 7%, so it seems like a pretty good deal for you. But the issue is that if you look at your annual statement this fund is heading into trouble around the year 2037, perhaps before it's your turn to collect. There are some fixes out there and we are monitoring what the changes may look like, but as of now nobody knows.

Now let's talk about company retirement plans.

If you work somewhere that has a plan, do your best to get involved in it. In some cases the employer will match what you are putting in dollar for dollar up to a certain percentage. Like Social Security, it may be the case that if you put in \$1000, your employer will match it and put in an additional \$1000. So that means you received a \$1000 bonus or a 100% return on your original investment. Not too

bad! Even if there is no match the company's plan will provide you with an easy way to save money.

There are ways to save money as well. However, if you take advantage of the programs early, often and with dedication, it can lead you to a road of financial independence that can be very rewarding.

No company plan, no problem.

You can be self sufficient and start your own Roth or Traditional IRA. There are many, many different things you can invest in but this type of account will grow tax-free or tax deferred until you reach retirement age. These dollars will be set aside and you can't get at them until age 59½ without penalty, but that too may be a good thing.

What about a pension plan?

These are becoming increasingly rare but if you're lucky enough to work somewhere that has one, study it and make sure you do what you can to become eligible and maximize your benefits. A pension can provide you with a lifetime of income that will supplement your Social Security.

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QUIZ

1. A Roth IRA grows tax free forever:

- TRUE
 FALSE

2. If Congress and America don't do something, Social Security will be heading for trouble by the year 2037:

- TRUE
 FALSE

3. A person should not participate in a company retirement plan that has a matching program:

- TRUE
 FALSE

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