

Money Matters: Modest savings can multiply fast

By Rick Gross

It can be easy to overlook the importance of saving for retirement, especially when you're focused on shorter-term financial priorities such as buying a new car or saving for college.

However, it's crucial to consider your long-term financial security and make saving for retirement a priority. If you start early and save regularly, even small sums can grow into significant retirement savings. Additional money you save today may have years – or even decades – to grow before you need it for retirement.



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Consider the following two examples to see how saving a dollar a day or an additional one percent could make a big difference in helping you retire with confidence.

Set aside one extra dollar per day

To start, set a goal of saving the equivalent of \$1 per day. Or if you're already saving, strive to save \$1 more per day. If you invest this \$365 over 30 years, earning an average annual return of 7 percent a year, your dollar-a-day commitment would grow to nearly \$34,500. If you extend this

commitment to 40 years, the total accumulated more than doubles to just shy of \$73,000. That's a meaningful amount of money when you consider the minimal effort needed to save \$1 per day.

Boost savings by 1 percentage point

You can also consider boosting your savings by 1 percentage point. Let's say you are committed to setting aside 5 percent of your income for retirement. For this example, we'll assume you began saving when you earned a salary of \$30,000 per year in 1987 and your salary rose by 3 percent per year for 30 years. If you continued to save 5 percent of your income and earned a 7 percent average annual return, you would accumulate approximately \$208,000 over those three decades.

But what if you choose to boost your savings to 6 percent of your income? Over that 30-year period, you would increase your nest egg to nearly \$250,000. One percentage point of additional annual savings could add up to 20 percent more in accumulated savings at the end of 30 years.

It pays to get started

No matter how small the dollar amount or how modest any additional savings may be, your diligence and patience can be rewarded. You don't need a lump sum of money to start saving. Whether it's one dollar more or a one percent increase, any amount can help you get closer to achieving your financial goals. Now, the most important part is getting started.

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