FamilyCircle

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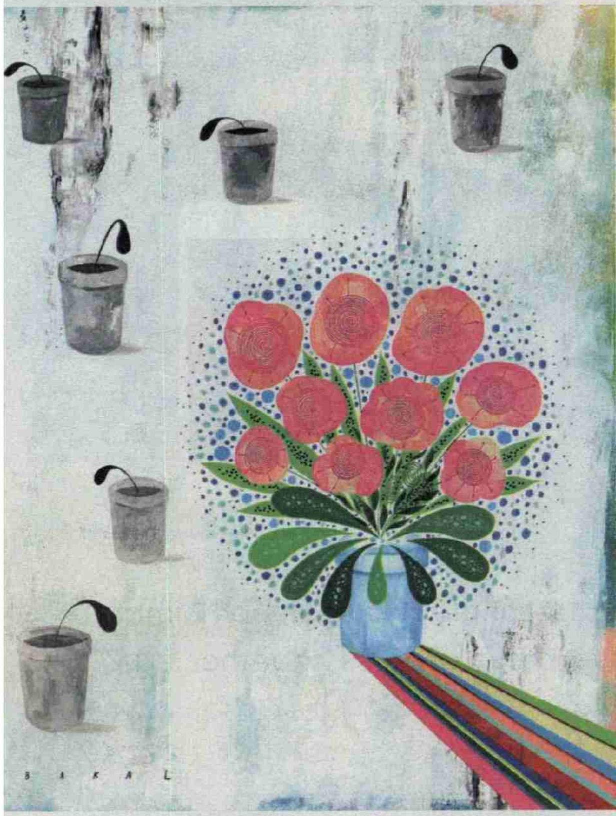
HOW TO GROW YOUR SAVINGS



You had the best of intentions when you opened that retirement account. Then life happened—job loss, braces, a totaled car. You're not alone: 81% of working-age people say their ability to save for retirement has been hurt by a major life challenge, according to an HSBC report. But it's time to get back in the game. Here are some manageable ways to reboot your efforts in 2016, no matter your situation.

You have an account but had to stop contributing. Ease back in with small payments. It may feel like you can't afford to lose a single penny from your earnings, but remember: Contributions to 401(k)s and 403(b)s—like 401(k)s but mostly for educators, hospitals and nonprofits—happen before taxes. That means the extra $75 in your paycheck could have been $100 in your account if you're in the 25% income tax bracket, or more if you're in a higher bracket. Plus, your company might match contributions, which could double your investment up to the match limit. That's a nice chunk of change stored away for the future, at only a small cost to you in the present.

You're now self-employed and don't know what's available. Finances can be complicated when you're working for yourself. Luckily, there are a variety of retirement fund options for the self-employed, such as SEP-IRAs, SIMPLE IRAs and solo 401(k)s. You might actually be able to save more before-tax income compared to people who have an employer. Visit irs.gov for additional information.

You need a more flexible way to save. Those earning less than $117,000 a year ($184,000 if married and filing jointly) can contribute up to $5,500 to a Roth IRA for 2016. You'll be using after-tax money, but it grows tax-free forever. Plus, you can withdraw your contributions whenever you like, so it can function as an emergency savings account if necessary. Just remember that any *earnings* on the account cannot be withdrawn early without penalties and taxation—only your contributions can be taken out penalty- and tax-free at any time.

You're unsure how to optimize your existing account. If you're wavering between investment choices, "index funds are a low-cost and potentially high-reward option," says Rachelle Taqqu, a financial consultant and co-author of *Risk Less and Prosper: Your Guide to Safer Investing*. Index funds track the performance of a broad group of stocks, such as the S&P 500, so they don't require the stock-picking expertise (and associated fees) of a fund manager. Your account will generally rise and fall with the index, so it has less turnover.

You're wary of investing in the stock market. Inflation-linked savings bonds are a "good, safe asset," says Taqqu. An adult with a Social Security number can visit treasurydirect.gov and buy up to $10,000 worth of I-bonds each year with after-tax money. You can also purchase up to $5,000 worth with your tax refund. Bonds can be redeemed after a year or held up to 30 years, and they're guaranteed to keep up with inflation. So if you buy $10,000 in bonds, you'll receive the equivalent of that amount based on inflation rates in the year you cash out. (For example, a $10,000 bond from 30 years ago is now worth over $22,000.)

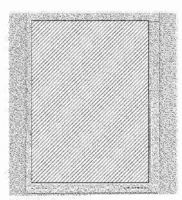
Must-Reads

Check out the latest books to help boost your financial expertise.

What Your Financial Advisor Isn't Telling You: The 10 Essential Truths You Need to Know About Your Money by Liz Davidson (Houghton Mifflin Harcourt, $27)

How to Retire with Enough Money: And How to Know What Enough Is by Teresa Ghilarducci (Workman, $13)

Retire Inspired: It's Not an Age; It's a Financial Number by Chris Hogan (Ramsey Press, $25)



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