

A creative couple finds six ways to boost retirement savings

Sally and Keith are in their early 40s and came to a startling realization: unless they increased their retirement savings, they'd be working, as Sally says, "forever!"

The couple had just completed an end-of-year retirement planning session with their advisor. "Our advisor did projections assuming an 8 percent annual return, with our contributions increasing at the rate of inflation," Keith says. "That was assuming that we'd continue to set aside the same proportion of our income as we do now."

"We also assumed we could live in retirement on half of our current income, adjusted for inflation," Sally adds. "With these generous assumptions, we'd still only get to our goal if we worked until age 70."

"The sobering fact is that even this projection was, according to our advisor, very optimistic," Keith says. "He doubted we could count on such a high annual return, for one, and for another, he said the conservative benchmark is that couples will need at least 70 percent of their current income in retirement."

Sally and Keith knew they had to get serious about increasing the amount they set aside in their retirement accounts each year. That meeting with their advisor was in December 2004. By the first quarter in 2006, they had more than tripled the amount they were setting aside for retirement. Here's how:

1. **Keith stopped smoking.** He took the money he spent on cigarettes and put it into savings. "That's not trivial," he says. "I was spending about \$4 a day. That's about \$1,500 a year, up in smoke."
2. **Sally cut out "designer" coffee.** The Wall Street Journal recently estimated that expensive coffee, at \$1.50 a day, is \$33 a month. That's \$38,000 over working years that could go to a retirement plan, yielding \$142 a month in retirement income over 25 years. All for coffee. And where can you get designer coffee for only \$1.50 a cup now?!
3. **They opened an HSA.** The couple converted their health insurance to a Health Savings Account. "We're basically healthy, especially with Keith not smoking," Sally says. "Our premiums are \$60 less a month, and we're building our personal account in case of a bad illness." They took the \$720 savings a year and put it into retirement savings.
4. **They're a one-car family.** They sold their oldest car. "You can't believe the savings," Keith says. "Two less car payments (\$4,800 a year), because we

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took the money from selling one car and paid off the loan on the other car.

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