Oops, I Forgot to Save for Retirement!

The Motley Fool
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Maybe you cared more about Woodstock than shares of stock. Perhaps you spent more time on disco than on Cisco (Nasdaq: CSCO). Or it could be that you kept a better eye on your favorite VJ at MTV than on your 401(k).

Whatever the reason, you have put off saving for your retirement — until now. But now, you worry that it's too late. You worry that you'll never amass enough money. You fret that your retirement dreams will stay just dreams.

If that's you, then I have something to tell you (put your ear close to your monitor so you can hear it loud and clear):

It's not too late!

Regardless of your age, regardless of your income, regardless of your hair count, it is not too late to plan for retirement and make your future more comfortable. Here are three ways to get your retirement plan rolling (then stay tuned for a way to get eight more ways to supercharge your retirement).

1. Save like mad.
Want a half-million dollars? Sure you do. Think it's too late to have that much before you retire? Perhaps not. Start saving $1,000 a month right now, and in 20 years you could have a portfolio worth more than $500,000, assuming you earn an average annual return of 8%.

Don't think you can save that much? You might be wrong, and here's why: Saving $1,000 doesn't necessarily mean you have to cut your spending by that much. If you contribute to a tax-advantaged retirement account — such as a 401(k), 403(b), 457, or other employer-sponsored plan — every dollar you contribute reduces your taxes since contributions are essentially tax-deductible. So if you're in the 25% tax bracket, for example, a dollar deposited in your retirement plan cuts your tax bill by 25 cents. Put another way, you have to reduce your spending by only 75 cents to save a buck.

And the news gets even better if your employer matches your contributions. To add $1,000 a month to your account, you may have to contribute only $500 to $700 (depending on the matching formula), and your employer makes up the difference.

2. Spend smart.
So where are you going to get that extra money? You are going to stop spending money on things that are not very important to you. You are going to get super-basic cable — or cancel cable altogether

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— instead of paying $70 a month for 300 channels you never watch. You are going to cancel that gym membership you never use. You are going to bring your lunch to work, stop buying beverages that are too sugary and expensive, and stop smoking. You are going to call around to see whether you can get better deals on your home and car insurance. You are going to get videos from the library for free instead of from **Blockbuster** (NYSE: BBI) or **Netflix** (Nasdaq: NFLX). You are going to cancel the cell phone service that isn't worth $80 a month (almost $1,000 a year!). You are going to have picnic dinners by the lake or on the beach instead of going to **Outback** (NYSE: OSI).

There are hundreds of ways to reduce your spending without significantly reducing your quality of life. Some you might not want to give up — maybe you think your **Sirius** (Nasdaq: SIRI) or **XM Satellite Radio** (Nasdaq: XMSR) is just too important to your well-being. Fine. You make the choice. But I can guarantee you that if you look at where every one of your dollars goes, you'll find expenditures that could just have easily been savings without changing the quality of your current life. So act now to improve the quality of your future life by spending smart. Even investing $500 a month for 20 years could result in almost $300,000 of retirement potential. Just start saving!

3. Choose a better life.

If you're thinking about retirement, it might be because you don't like your current job. Yet the fact is that if you haven't saved much, then you will have to keep working for a while. So why not consider a career change? Unless your lifelong ambition is to be the next NFL Rookie of the Year or Britney Spears, it's not too late to be what you want when you grow up. Most professions don't have age restrictions, and anyone can go back to college and earn a degree.

Don't just think about how you'll retire, but consider what you want to do with the rest of your life. Is there a job you always wanted to try? A business you always wanted to start? A hobby you could turn into at least supplemental income (which could become additional savings)? Really, if the prospect of working for another 10 to 20 years gives you the heebie-jeebies, spend a few minutes thinking about what kind of work you'd actually enjoy. Go ahead, we'll wait.

[Tap, tap, tap...]
[Whistle...]
[Scratch...]

OK, have some ideas? Good. Spend some time this weekend investigating what it takes to get that kind of work. And while you're at it, look for employers that offer the best benefits — a retirement plan match, tuition reimbursement, perhaps a traditional pension, maybe even health care for retirees.

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Putting it all together

Even if you can't save $1,000 a month, or if you can't bear the thought of working another 20 years, it's not too late to improve your situation. Saving what you can right now, and combining the eventual income your portfolio will provide with Social Security and maybe a pension, could allow you to retire part time. And that is a lot better than having to work full time forever.

Looking for more ways to improve your financial future? Take a free 30-day trial of my *Rule Your Retirement* newsletter service, and receive the "8 Ways to Supercharge Your Retirement" special report. And if you know some folks who could use some mid-life retirement help, use the "Email this page" link below to send along this article. Twenty years from now, when they retire, they'll thank you.