4 Ways to Retire Sooner

The Motley Fool

By Dan Caplinger

When the Monday blues hit, retirement seems so far away. But while nothing short of winning the lottery or getting a big inheritance is likely to let you quit tomorrow, there are many things you can do to reach your goals a little faster.
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1. Add cash.
Yes, it takes money to make money. So the first step in starting and growing your retirement nest egg is finding ways to get more cash into your retirement accounts.

When times are tight, saving more can be a tall order. But you may get some help. If your employer offers a matching contribution to your 401(k) plan, you might double those extra savings. Similarly, Uncle Sam offers benefits in the form of deductions for contributions to 401(k) plans and traditional IRAs, as well as tax credits for low- and middle-income taxpayers who contribute to IRAs.

It takes a little more than $550 per month in savings earning a 7% return to get to $1 million over the course of a 35-year career. But if you can add just $100 per month to that — including what your employer puts in and your tax savings — you can cut more than two years off your wait.

2. Embrace stocks.
Saving more is great, but there's only so much you'll be able to put aside. You have to make the most of what you have.

People are often too conservative in their retirement investments. Despite the sometimes-violent ups and downs of the stock market, the long-term return on stocks far exceeds that of less risky investments like bonds and bank savings accounts. If you have all your money in cash, you won't lose a penny — but you're only making 4% to 5% right now, and that number has started to fall recently. Even life-cycle funds and other balanced retirement options have sizable portions of their assets in bonds.

A 7% return is a reasonable average for a portfolio that has slightly more in bonds than in stocks. But throughout most of your career, you can afford to take more risk. Owning more stock could raise that return to 9%, lopping off almost five more years from your target.

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3. Hit for the fences.
If all you want is to match the S&P 500, buying index funds is easy. To get higher returns, however, you'll have to find stocks that will outperform the index. Here are some examples from the past 10 years:

Stock	10-Year Average Annual Return
American Eagle Outfitters (NYSE: AEO)	30.3%
Caterpillar (NYSE: CAT)	13.3%
ExxonMobil (NYSE: XOM)	13.7%
Cisco Systems (Nasdaq: CSCO)	11.9%
Deere & Co. (NYSE: DE)	13.1%

Those stocks have done particularly well, given that the past decade has been fairly tough for stocks. But you don't have to belt all your picks out of the park to retire sooner. If you can eke out just another couple of percentage points on your average return — boosting it to 11% — then that'll cut another 3.5 years off your target.

4. Become a cheapskate.
So far, we've only looked at half of the story. How much you spend plays just as important a role in retirement as how much you save. And while many expenses go away when you stop working, new ones quickly take their place — things like travel, entertainment, hobbies, and medical care.

But you have a lot of control over many of these expenses. If it's worth it to you to spend less in retirement, you won't have to save as much before you retire. Cutting 10% off your spending means you'll get to your smaller goal a year earlier.

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All in all, combining these four simple tips can let you retire as much as a decade or more sooner than you otherwise would. That thought just might be enough to make even a Monday seem brighter.