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Retirement Planning Issue

Retirement accounts offer tax advantages

By Monica Steinisch

What makes retirement savings accounts different from non-retirement savings accounts are the tax breaks and special features that give savers a boost. There are a slew of retirement accounts to choose from—all with their own advantages—though not every one will be available to every saver. Here's a rundown of the most commonly available retirement accounts, along with their advantages and basic eligibility requirements.

Employer-sponsored

Consider yourself lucky if you work for an employer that provides a good pension. The traditional defined-benefit retirement plan has all but disappeared for anyone other than government employees, public service workers and teachers. Pension plans provide a set monthly income ("defined benefit") in retirement without employee contributions or input into investment decisions. Your monthly check in your retirement years is based on salary history and years of employment.

The traditional pension plan has mostly been supplanted by the 401(k) and similar plans (403(b)s for non-profit workers or SIMPLE IRAs for small employers, for example). The retirement benefit you receive in these plans is based on the amount you and/or your employer contributed on a regular basis during your working years.

When you enroll in a defined-contribution plan, you tell your employer how much of your earnings to deduct and deposit into an account, before taxes are taken out, and where to invest the money. Most employers who offer such a plan provide a "matching contribution"—an amount they kick in on top of your savings. A common matching formula is 50 percent of every dollar you contribute, up to a percentage of your salary, though it varies among employers. You should always take advantage of your employer match, because this is free money that increases your retirement savings.

In 2016, you can contribute up to $18,000 to a 401(k) or similar plan, plus an additional $6,000 if you're 50 or older.

Even if your employer doesn't offer a matching contribution, the tax benefits of a 401(k) or similar plan are pretty attractive. You won't have to pay taxes on the money you save until you withdraw it in retirement. That tax-deferral can have a significant impact on your bottom line.

Participation in a 401(k) or similar plan is so vital to a financially secure retirement that Congress passed legislation—the Pension Protection Act of 2006—that encourages employers to automatically enroll

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Solid planning for comfortable retirement

We can't all 'be like Kobe'

By Linda Williams

Many Americans dream of leaving the workforce early and being able to live longer to enjoy it, but not everyone can "be like Kobe," the LA Lakers superstar, and retire at age 37. If retiring early is your goal, create a solid financial plan that will fund the kind of retirement lifestyle you can live with.

Start saving for retirement early. While retirement may seem far away when you're in your 20s or 30s, the longer you wait, the longer it will take to save those pennies—especially for women. Having no retirement plan in place is one of the biggest financial mistakes you can make.

Last November, I flew back to my hometown to celebrate the Thanksgiving holiday with my mother. When Monday morning rolled around, it was time for me to head to the airport. About a half mile from mom's house, I got an alert that my flight was delayed. So, with a couple of hours to kill, I circled the old neighborhood, and dropped in on an old friend, Mike. After an hour of reminiscing, Mike proudly announced that he was retiring in the spring. Knowing that he was at least four years away from normal retirement age, I couldn't believe my ears. "What? At 62?"

"All of my friends are retired and I'm the only one still hitting the pavement," said Mike. "I started working at a union job right out of high school, until the company went out of business, so I have a retirement account I can claim at 62. I've also been contributing to the retirement plan at my current job for the last ten years."

I stood there with my eyes bugged out as I tried to wrap my brain around what he was saying: He's hanging up the work boots at age 62! Since we were kids, Mike has never beaten me at anything—until now. Because, if I'm lucky, I'll be able to retire at 75.

According to AARP, when to stop working is probably the most important decision in terms of influencing how long your retire-

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New rule benefits retirement savers

The Department of Labor (DOL) requires advisers who offer investment advice for retirement accounts to provide recommendations in the best interest of the client. Read more online: *bit.ly/plan4retirement.*

Avoid retirement pitfalls

Make the right moves for security

By Ruth Susswein

You can increase the odds of a secure retirement by avoiding some common, costly mistakes as you plan for the "golden" years ahead.

Managing your accounts

Don't miss out on matching funds. If your employer matches all or part of your contributions in a 401(k) or similar retirement savings plan, contribute to the plan. That's found money—income that's not taxed until you use it.

Don't overlook the chance to play catch-up. Starting at age 50, you can contribute an extra $1,000 a year ($6,500 total) to an individual retirement account (IRA), and an extra $6,000 to a 401(k), 403(b) or 457(b) retirement account ($24,000 total). (Depending on your salary level, your contributions may be limited.)

Avoid losing savings to high-cost investments. If you are working with a financial adviser, be aware of investment advisory fees, which can be 1 percent or more of your investment each year. Some advisers recommend investment products with guaranteed returns, but it pays to know what percentage of your investment will be eaten away by fees and commissions each year.

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Good retirement planning moves

- Get rid of debt (mortgage, car payment, credit card balances).
- Review your long-term care insurance and life insurance.
- Know your net worth (cash, real estate value, investments).
- Estimate your annual living expenses in retirement.
- Prepare a budget and live within those parameters.
- Planning to remodel? Do it pre-retirement.
- Be sure your will, medical directives and beneficiary designations are up-to-date.
- Cut costs: Are there expenses that can be avoided during retirement (for example, a disability insurance plan that you no longer need, or vacation, dining or clothing costs that can be pared down)?
- Ease into retirement—consider getting a part-time job. Search at *RetiredBrains.com* and *RetirementJobs.com*.

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Dodging a retirement savings shortfall

By Lauren Hall

Nearly one-third of American households with members age 55 and up don't have personal retirement savings or pensions, according to the Government Accountability Office (GAO).

An annual retirement report by TransAmerica Center for Retirement Studies reveals that the retirement savings problem starts early, with the majority of 40-somethings having saved only, on average, about $60,000. Most people in this category only began saving for retirement a decade or so earlier. The picture doesn't get much better as people get older. Of those who are saving in individual retirement accounts (IRAs), by age 65 the accountholder has a mere $75,000 set aside, according to the Employee Benefit Research Institute.

However, most financial experts recommend that Americans planning for retirement aim to save about 70 to 80 percent of their pre-retirement annual income. This means that if you are making around $50,000 a year before retirement, you'll need about $40,000 a year during retirement to continue to live comfortably. In order to support a 30-year retirement at this level, you'll need to save $1.18 million!

Few retirement savers are on the way to amassing $1 million before retirement. It's no wonder that most people in their 40s and beyond report that they are planning to work past age 65 or not retire at all.

Savings by age group

According to Fidelity Investments' age-based retirement savings guideline, by the time you're 35 years old, you should have saved an amount equal to your annual salary; by age 45, three times your annual salary; five times by 55, and at least eight times by age 67 (assuming you retire at that age). So how does one get there?

As a general rule, when you start saving in your 20s and 30s, advisers recommend that you put at least 10 percent of your paycheck into a 401(k) or other retirement account. That's $100 per $1,000 of pay. (If you can save 15 percent, that's even better.) These dollars have decades to grow. When you're young, you have the luxury of time to afford to invest more aggressively, in mutual funds or higher-risk investments, which may, after years of investment, yield the highest overall returns for your retirement years.

You should also take advantage of employer-sponsored retirement plans with matching contributions. As a rule, contribute at least as much as needed to receive your employer's full matching dollars.

More than half of 40-somethings report feeling financially frazzled, despite the fact that these are prime years for retirement saving. When you're in your 40s and beyond, you'll still want to invest as much as you comfortably can for retirement, but often you need to save for family financial commitments (like college tuition). As overwhelming as it can be, start with a retirement calculator like Ballpark E$timate, from the Employee Benefit Research Institute (EBRI) (www.choosetosave.org/ballpark), to give you an estimate of what you should be saving for your retirement years.

Since your savings and circumstances will change as you get older, you may need to adjust your retirement planning strategy. Take advantage of free advice from sources such as EBRI, AARP and the American Savings Education Council (*www.choosetosave.org/asec*). Or, if you prefer, seek help from a fee-only financial planner.

Falling short on saving

So why aren't people saving enough? Twenty-somethings who watched their parents lose their investments and home equity in the recession are understandably cautious. Many face high amounts of student loan or credit card debt. Meanwhile, only about a third of 30-somethings are actually investing more than 10 percent of their salary in a 401(k), despite what experts recommend. For many, no matter their age, they just don't earn enough to be able to save enough toward retirement. According to TransAmerica's retirement survey, "eleven percent of workers expect that they will need to receive financial support from family members when they are retired."

The good news is that retirement funds do not have to come strictly from individual retirement savings. You might earn a substantial sum from the sale of your home before you retire, and that could make a major difference in your retirement income. Despite more than 80 percent of 20-somethings believing that Social Security will not be there for them when they're ready to retire, the Social Security Administration assures young workers that even if full benefits are not available, the program has enough to fund the majority of scheduled benefits decades into the future. But the housing market, prudent investing and Social Security don't negate the need to sock away as much money as possible from each paycheck during your working years. Some recent entrants to the workforce have gotten the message. TransAmerica reports that some of the newest workers have started saving for retirement at the ripe age of 22. Good move! ■

Kobe

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ment savings will last. Each year you work is a year you don't need to be supported by your savings, and possibly another year you can add to your savings. With a kid in college and 12 years left on my mortgage, it will be a while before I will be able to kiss sweet retirement on the lips.

I wanted to "be like Mike." What did he know that I didn't? I had to know his plan, so I began peppering him with questions. Are you okay with receiving a 25 percent reduction in your Social Security benefits? What type of retirement plan do you have? What about medical? You can't get Medicare at age 62, so how much will you have to pay for insurance? Do you have a long-term care insurance policy? When you're eligible for Medicare, how much will it cost? You do know that your Medicare premium will be taken out of your Social Security benefits? Are you getting a medi-gap plan? (I am looking at AARP, are you?) I wanted to hear every detail of Mike's plan. But my friend's body language signaled I was getting a tad too personal, so I backed off, said my goodbyes and headed to the airport.

As the pilot announced our final descent into LAX, my thoughts returned to Mike's retirement. What did Mike know that I didn't? Every financial decision I had made in life passed before my eyes during that six-hour flight, and I went over my retirement plan at least 10 times in my head.

Like many women, my retirement savings lag far behind my male counterparts. When Mike was in his 20s, and working that union job, his employer was matching his contributions to his retirement plan. In *my* 20s, I was out of the workforce raising a family. Mike inherited his family home. I am working hard to avoid dragging a mortgage into retirement. Mike is content sitting on his front porch, while I love vacationing, traveling and exploring exotic places with my kids and grandchildren. Mike's needs are totally different from mine. I have to choose the savings and investment tools that will meet my retirement challenges and unique needs and I have to stick to them.

When it comes to retirement planning, there is no one-size-fits-all approach. People have to follow their own path based on their unique needs, goals, values and retirement lifestyle they want, says Scott Holsopple at Focus Financial Partners. Holsopple says that following the pack could lead you astray.

A few days later, I was in the middle of my six-month financial checkup to ensure that I'm reaching my financial goals and on track to pay off my mortgage before I retire when the phone rang. It was Mike: "I'm sorry if I appeared defensive when you were here. It's just that I didn't have answers to a lot of your questions. Your questions got me thinking that I need to look into things a lot more before I hand in my retirement papers."

I wasn't trying to call Mike out, but my questions revealed that my old friend didn't have an adequate financial roadmap for retirement. We can't all be like Kobe and retire at the tender age of 37, but we can avoid being "like Mike" by having a solid financial plan that will support a comfortable lifestyle when we decide to retire. After all, retirement is the reward you reap for a lifetime of hard work! ■

Linda Williams is a Consumer Action outreach and training manager.

Tax-advantaged

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workers in their company's retirement plan. However, don't get a false sense of security from simply being enrolled. The minimum automatic deposits are typically set so low that you won't end up with the account balance you need to retire comfortably unless you increase the contribution. (A few plans have an automatic escalation feature, increasing the withholding by one percent each year for a few years.)

If you leave the company before retirement, you can leave your account where it is, or you can roll it over into a "rollover IRA" at a financial institution you choose. Your final account balance when you leave the company is all of your contributions, account earnings and the "vested" portion of your employer's contributions. (It is common for employers to set up their plan so that their contributions become fully yours only after a period of employment—a vesting schedule. If you leave the company before being fully vested, you will forfeit some or all of the employer's matching dollars.)

For help understanding your employer-sponsored retirement plan, visit the Department of Labor's Employee Benefits Security Administration (EBSA) at *www.dol.gov/ebsa/publications/wyskapr.html*. Or contact your employer's Human Resources (HR) department.

IRAs

Individual retirement accounts (IRAs) are just that—individual, meaning they're not part of an employer's group plan. The accountholder chooses the financial institution to open an account, makes contributions directly to the account (by automatic transfer from a checking account on payday, if desired) and makes all investment choices. IRAs are a great choice for those who do not have access to an employer-sponsored retirement plan, or who do but are able to save more.

Traditional IRA. Almost anyone under age 70½ who earns taxable income can contribute to a traditional IRA, with no income limits. In 2016, if neither you nor your spouse has access to a retirement plan at work, you can contribute $5,500 ($6,500 if you are 50 or older) to an IRA and deduct the entire amount from your taxes. (A non-income-earning spouse may also have a separate IRA into which the income-earning spouse can contribute.)

If you have access to an employer-sponsored plan, your IRA contribution is fully tax deductible if your modified adjusted gross income (MAGI) is below $61,000 (single) or $98,000 (married filing jointly). Partial tax deductibility is allowed at higher income levels, up to $118,000. For further information, visit *www.irs.gov*.

You will be taxed on the funds when you withdraw the money in retirement, which you must begin to do starting at age 70½.

Roth IRA. You can save the same amount each year ($5,500, or $6,500 if you're 50 or older) in a Roth IRA as you can in a traditional IRA. The big difference between the two is that Roth contributions are not tax-deductible (the money is taxed when you earn it) but account earnings are tax-free (not just tax-deferred). The other big difference is that you are not ever required to make withdrawals from a Roth IRA. You can leave the account to your heirs, who will be responsible for the tax liability. Conversely, you can withdraw your Roth IRA contributions (but not the earnings) before retirement, without paying tax or a penalty if you've had the account for at least five years.

To contribute to a Roth IRA, in 2016, your MAGI must be $117,000 or less (single) or under $184,000 (married filing jointly). You can make partial contributions at higher incomes, up to $132,000 (single) and $194,000 (married).

Most banks, brokerage firms and mutual fund companies offer IRAs. Look for an account that has a good range of investment options, no account opening or maintenance fees, low fees for buying and selling investments and a low (or no) minimum initial investment requirement. For example, TD Ameritrade and E*Trade have no minimum deposit requirements and no opening or maintenance fees for new IRAs. Charles Schwab and Fidelity both waive their minimum opening deposit requirement for new IRAs when you set up automatic monthly transfers from your bank account, also with no opening or maintenance fees.

If you qualify for both a traditional and a Roth IRA, which one to contribute to requires some careful thought. (You can contribute to both, but total contributions to both accounts can't exceed the annual limit.) To get insights from multiple reputable sources (NerdWallet, Bankrate, Schwab, Fidelity, Vanguard, U.S. News, etc.), do an online search for "Traditional IRA vs. Roth IRA." Or consult a trusted financial adviser.

***my*RA.** The government-administered *my*RA is a Roth IRA designed for low- and middle-income workers who don't have access to an employer-sponsored retirement plan. The plan offers automatic payroll deductions, a guaranteed interest rate (averaging around 2% over the last five years), no fees, and no minimum balance or contribution requirements. Anyone who meets Roth IRA income limits (*see above*) is eligible to enroll and make up to the annual maximum IRA contribution. Learn more at *myRA.treasury.gov/individuals/*.

Before you rush to sign up, consider that you'd probably earn more with a non-*my*RA Roth IRA. While the guaranteed interest on the *my*RA is a safe bet, at around 2%, you're not going to be able to keep up with inflation, much less grow your nest egg. Most other IRA administrators offer access to scores of stock and bond mutual funds, including low-cost index funds, which typically offer higher long-term growth potential—but without any guaranteed earnings. A *my*RA balance must be rolled over to a private-sector Roth IRA once it reaches $15,000, or after 30 years, though you are free to roll it over sooner.

The government also offers another retirement savings plan to most Americans: Social Security. While this is a vital safety net, it's not wise to rely on it alone to fund a comfortable retirement. Save in an IRA, a 401(k) or a similar plan while keeping an eye on your Social Security benefits at *1.usa.gov/1WFveeJ*. ■

Right moves

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Consider a fee-only adviser and low-cost investments such as index mutual funds.

Tapping your accounts

Wait until you retire to withdraw retirement funds. Earlier withdrawals may trigger a hefty 10 percent penalty if you're under age 59½, plus there may be income tax on the withdrawal, and you'll also lose potential earnings. (Roth IRAs allow withdrawal of contributions—but not earnings—before retirement without tax or penalty.)

Don't let the IRS deplete your savings. You do not have to withdraw income from 401(k)s and traditional IRAs until age 70½. But once you hit that age, be sure to take your required minimum distribution (RMD) each year or pay 50 percent in taxes on that amount. For example, if you should have withdrawn $5,000 and didn't, you would owe $2,500 in tax that year. (In contrast, RMDs are taxed as regular income.)

Don't rely on Social Security benefits too soon. If possible, put off collecting Social Security benefits. While you can begin collecting Social Security payments starting at age 62, it's better to wait until your "full retirement age." Currently that's age 66 if you were born between 1943 and 1959. If you were born in 1960 or later, it's age 67. If you delay retirement until age 70, you will earn 8 percent more a year for the rest of your life by delaying your monthly checks. Also, taking Social Security while you are still working could temporarily reduce your benefits or cause you to owe income tax.

If you decide to collect benefits as early at 62 (instead of 67), your monthly payment could be as much as 30 percent less. The average monthly retirement benefit in 2016 was $1,341. Check out Social Security's Retirement estimator for a guide as to what you can expect to receive each month based on your actual earnings. *(For other helpful resources, see page 4.)*

If early retirement is your goal, bear in mind that Medicare won't kick in until age 65, so be prepared to cover your medical expenses as well.

Keep in mind

How long would you guess you'll be living off your retirement savings? Fifteen, 20, 25 years? What if it's longer? According to the Social Security Administration, most men will live to about age 84, and women to 86½, with a quarter of us living past age 90. Once you take your overall health, age and financial situation into consideration, do you feel you have saved enough to fund what could be several decades of retirement living? If you're like most people, you'll probably conclude you haven't saved enough.

Don't spend blindly. Know how much you spend each year on necessities and extras and estimate how much money you'll need to have a financially independent life. By some estimates, you'll need 70 to 80 percent of your current household budget to maintain roughly the same standard of living. Once you've tracked your current spending, you'll have a more realistic idea of how much you'll need to live.

Don't underestimate medical expenses. Even with Medicare, there will be additional health care costs such as prescription drugs, supplemental insurance, copays and deductibles. These can add up, and out-of-pocket medical costs keep rising. Your health care expenses are likely to increase as you age and are easy to underestimate. According to Fidelity Benefits Consulting, a 65-year-old couple will need $245,000 to cover out-of-pocket medical expenses throughout retirement. If you have long-term care insurance, take care to understand what your policy covers and when coverage kicks in.

Don't assume the best outcome. Your savings may not sustain you without careful planning. Estimate how much you can safely withdraw from your savings each year to supplement your monthly Social Security. A prudent rule of thumb is to withdraw no more than 4 percent of your retirement savings in year one. If you have various savings sources, consider which account to withdraw from first and how much you'll need to allocate for income taxes.

Should your 401(k) fund stay or go? Some experts say don't make a move with retirement funds that you won't be using for awhile. If you're investing in low-cost mutual funds through a previous employer, you may want to let the money grow where it is. Other experts recommend that those with multiple accounts roll them into one IRA to make it easier to manage investment options and perhaps limit fees.

Avoid carrying debt and large expenses into retirement. Want to pay off the mortgage before retiring? For peace of mind yes, but some say with housing values rising in many locations and interest rates still low, you might want to continue to pay the mortgage, assuming you can afford it, until you choose to move.

Try an online mortgage calculator (*ti.me/1WFuN46*) to figure out your repayment time frame using different payment amounts.

If you plan to stay put, consider tackling large home maintenance or improvement projects before you retire. If that's not feasible, consider taking on a part-time job to cover necessary home repairs. Also think about remodeling before retiring. You might want to widen doorways or create a handicapped-access bathroom to help you age in place, if that's your goal. As you evaluate your options, be flexible. Remember, downsizing is not a dirty word.

Before you settle into a retirement plan, make sure your will, health care proxy and beneficiary designations are up-to-date and your plan is accessible to whomever you designate. ■

Tools to help you plan for the 'golden years'

By Alegra Howard

There's no shortage of free websites and mobile apps that offer consumers help with planning, investing, saving and other retirement essentials.

Before you try these tools, have on hand as many of your financial details as possible. If you're nearing retirement, gather the value of your retirement assets—pension benefits, 401(k) or IRA accounts and projected profits from the sale of a home. It also helps to have an estimated retirement date.

How much can you expect from Social Security (SS)? To calculate your expected SS benefits, visit *1.usa.gov/1WEn2vV* and use the Retirement Estimator, which gives you a projection based on your earnings history. A few things that may impact your actual benefits are an increase or decrease in your earnings, changes in cost-of-living calculations and changes to the laws impacting Social Security benefits.

How long will you live? Underestimating your life expectancy can cause you to underestimate the retirement income you'll need. The University of Minnesota School of Public Health's free calculator (*bit.ly/27E9ILo*) analyzes 29 factors linked to life expectancy. The calculator also can forecast healthy-life expectancy—the age someone will likely reach before common illnesses may start to affect their quality of life. (You need to register with the site to use the tool.)

Retirement calculators. These tools ask you to provide current and potential income, such as Social Security, pensions, retirement accounts and non-retirement savings, so that they can estimate how much money you will need to save from now until retirement to reach your required balance.

Users can enter different scenarios to get different results—for example, comparing the budget for an active retirement in which you travel every year with one where you stay closer to home.

While the information you provide should be based on realistic estimates, for most people there are many unknowns. Will your income increase or decrease? What if Social Security benefits change or the full retirement age increases? What will tax rates be in 25 years? At best, a calculator can provide you with a quick, easy estimate that results in an educated guess regarding your future finances.

The Consumer Financial Protection Bureau offers a free online tool to help you compare the amount of your Social Security benefits according to your age when you claim benefits. The Before You Claim tool (*www.consumerfinance.gov/retirement/before-you-claim/*) helps you visualize potential increases or decreases in the amount of your monthly benefit and provides tips relevant to your specific situation. The advice covers how potential life span, spousal benefits, working after age 62, expenses in retirement and other retirement income might bear on your decision on when to claim your Social Security benefits.

We found two calculators (from AARP and Fidelity) that we liked for their simplicity and ease of use. Account and password creation is optional for both tools, and none of the information you enter is used for marketing purposes. AARP's Retirement Calculator (*bit.ly/2535RoV*) is quick and uses adjustable charts to illustrate a retirement plan. It suggests ways you can grow your nest egg (like retiring later or modifying your retirement lifestyle). Use the AARP tool on your computer rather than on the mobile site so you can view the useful pop-up questions and graphs.

Fidelity's myPlan Snapshot (*www.fidelity.com/myplan*) helps you determine the amount of money you'll need to retire by asking a few questions about your household status, salary and retirement savings accounts. You can add details about other retirement income (such as a pension or Social Security), how long you intend to work and the way you want to live when you retire. Fidelity's Snapshot requires a minimal amount of information and presents its findings quickly. This tool uses interactive graphs and a witty narration in its personalized financial projections. You don't need to be a Fidelity customer to use the tool.

The ESPlannerBASIC (*http://basic.esplanner.com*) calculator provides users with spending and savings plans for future years. You don't have to create an account to use the tool, and none of your information is saved or used for marketing purposes.

For those who have more extensive investments, the tool lets you adjust tax rates for taxable assets and include extra information to help project out-of-the-ordinary expenses (college, weddings, world travel, etc.) and less common income (bonuses, inheritance).

For those approaching retirement age (50 to 70 years old), check out the Department of Labor's free Retirement Calculator (*1.usa.gov/1ThuaNE*). This tool provides spreadsheets that help you calculate and compare your projected savings with projected expenses.

If you're interested in making changes to your plan at a later time, the tool allows you to set up an account and create a username and password. Otherwise none of the data you enter is saved or used for marketing purposes.

For the more advanced investor, T. Rowe Price's Retirement Income Calculator (*trowe.com/1qwGpsk*) takes into account various stocks, bonds, savings accounts and certificates of deposit (CDs). To use this tool you must create an account and provide your name and email address. You can then update your retirement plan at any time. T. Rowe Price says it won't sell your information to third parties, but may market its own products to you.

All-in-one money management programs. For those who have a retirement savings goal in mind but need help with the day-to-day budgeting required to stay on track, try all-in-one money management sites, often called account aggregators. These tools link to other accounts (with your permission) so that financial transactions and balances update automatically.

Because aggregators require you to enter your usernames and passwords for outside investment, credit and bank accounts, take the time to review the security standards and privacy policies. Look for sites that use bank-level encryption and bear trust marks like TRUSTe, Norton Secured Seal or Soc 3, which verify that companies have adequate security and privacy procedures.

Mint (*www.mint.com*) is one such tool that can help you better understand your financial picture from a main dashboard (online or via a mobile app). Once you provide login information for all of your accounts, you receive an automatic, personalized overview of your transactions and spending patterns, allowing you to budget more efficiently. Based on your credit and debit cards, Mint breaks down your spending into categories. Mint lets you to set alerts for low balances, bill due dates and when you're approaching a pre-set budget limit.

HelloWallet (*www.hellowallet.com*) offers a similar service, but also computes a financial wellness score for each user. It compares your score with other users (anonymously) and recommends ways to improve your finances as well as offering advice on ways to meet your retirement and savings goals.

For example, the program might recommend paying down credit card debt or increasing monthly retirement account contributions to meet an employer's match. The service costs $100 a year but is available for free through some employee benefits programs.

Other resources

For caregivers. If you're worried about your elderly father's spending, BillGuard (*www.billguard.com*) is a free service that can help you keep tabs on his financial accounts. The mobile app monitors credit and debit card transactions and sends notifications every time a purchase is made (there is typically a one-day lag between transactions and the time you receive notification). BillGuard also sends alerts about purchases at merchants that have been identified as possible scammers, and recently added data breach alerts for compromised accounts.

The CFPB's Guide to Pension Payouts (*1.usa.gov/22hkJhI*) gives near-retirees information to understand the pros and cons of taking their pension in a monthly payment versus a lump sum.

The CFPB guide provides tips and warnings about how to protect and manage those funds. It spells out the tax consequences of lump-sum payouts, which are generally taxed as ordinary income in the year they are received, explains how to consider the future needs of a surviving spouse and outlines the benefits of a monthly payment plan.

If you invest or bank with a big financial firm, check to see if it offers free access to online retirement planning and money management tools. ■

Making savings automatic

AARP says about 55 million employees in the U.S. have no retirement savings plan at work. To fill the gap, 28 states are developing plans to automatically enroll employees in state-run retirement savings plans. Typically, they work by automatically depositing a portion of workers' paychecks into a special retirement savings account. Employees can choose not to save (opt out), but once they're automatically enrolled, more than 80 percent of employees tend to stick with it.

California is working on becoming the first state to roll out automatic retirement savings. A 2012 state law requires all businesses with five or more employees to automatically enroll workers in a 401(k)-style retirement savings plan. The state-operated California Secure Choice Retirement Plan is geared to private sector employees who don't have retirement plans at work.

Employers will automatically deduct 2 to 5 percent of wages and invest the funds in the state plan. (Employees can opt out.)

The state has yet to decide details such as whether workers will be allowed to withdraw funds prior to retirement and how the fund will be managed. California is hoping to make these retirement accounts available within a year or so.

Illinois's automatic retirement plan, the Secure Choice Savings Program, is expected to start in mid-2017. Similar plans have been proposed in Massachusetts, Maryland, Connecticut, Oregon and elsewhere. For more details, broken down by state, see *bit.ly/1NHnhTD*.

The federal government's *my*RA individual retirement account, designed for those without access to a workplace retirement plan, is also an option. Your *my*RA balance must be rolled over to a private-sector Roth IRA once it reaches $15,000, or after 30 years. *(See more on* myRA *on page 3.)* ■