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# Fiscal Fitness



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## The Best Retirement Account For You

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The year 2007 is now history. Did you start a retirement account? If not, an IRA can be started for as little as \$25 per month with an annual maintenance fee for as little as \$10. If you open an IRA before April 15, 2008, or before you file your tax return—whichever comes first—you can still make a contribution for 2007. The limit for a traditional or a Roth IRA for 2007 is \$4,000. If you are 50 years old or older, you are allowed a catch-up contribution of \$1,000 for a total of \$5,000. For 2008 the limit increases to \$5,000 and the catch-up contribution remains at \$1,000.

If you are enrolled in your company's retirement plan (401k, 403b, etc.), it's best to contribute at least the amount

the company matches. For example, assume you make \$40,000 per year and your company matches your contribution up to 5% of your annual salary. If you can, try to contribute at least \$2,000 per year. Your company will then match your \$2,000 contribution and—assuming you are 100% vested and there's been no change in your investment's market value—your account is now worth \$4,000. Contributions can be made beyond the \$2,000 (non-matching) in our example up to the 2008 limit of \$15,500 and the catch-up contribution of \$5,000. These 2008 limits are also subject to cost-of-living increases.

Subject to certain income limitations and

contributions, even if you are enrolled in your company's plan, you may still contribute to an IRA.

However, if that plan does not have a matching incentive, and you do not plan to contribute more than the IRA limits mentioned earlier, it might be more beneficial to not open a retirement account with your company but instead start an IRA. With an IRA you get more investment choices, personal financial advice, and possibly lower costs. I've heard employees say it's better to open a retirement account with the company because it's free. I do not know of any plan administrator that works for free. The reason some employees think this is because the fees are part of the ex-

penses and expenses reduce your overall return, so the employee pays indirectly.

As a financial advisor, I am inundated with retirement material hammering home the importance of saving for retirement and asking the question, "Will you have enough money through your retirement years?" This could be a defeating question to ponder if you are like most people. But do not give up because you think you can't save enough in time. I got a late start myself, and I may not have enough money to last, but I am sure glad I started. A little cushion feels better than no cushion at all. Without the weight of regret, I press on now in doing what I can do. Join me in doing the same!

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