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Your retirement questions answered

Our financial professional answers 3 reader questions you may have too.

Fidelity Viewpoints

Key takeaways

> How can I balance saving for retirement and my child's college education?
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> How can I manage debt and save too?
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> How much do I really need to save for retirement?

I just turned 50 so retirement is getting closer. I want to know how much I really should be saving for retirement and the best ways to invest my money.

– Avery, age 50

It depends! The amount you personally should be saving for retirement now will be different than the amount your neighbor or coworker should be saving. The goal is to try to save at least enough money to cover all of your expenses—essential and discretionary—in retirement, and potentially leave money to your heirs or charity if that's a priority. To know how much you may need to save, start with how much you have saved already and estimate how much money you may need in retirement.

Fidelity's retirement planning experience can help you quickly decide whether you're saving enough right now to meet your savings goals or if you need to save more in order to maintain your lifestyle in retirement.

One simple way of estimating and monitoring your retirement savings goal is with our age-based savings factors. These are savings milestones expressed as multiples of your current income. Based on our analysis, we suggest aiming to save 1 times (1x) your current income by age 30, 3x by 40, 6x by 50, 8x by 60, and 10x by age 67.[1]

So for someone who has just turned 50, a good place to start will be evaluating how close you are to having 6 times your annual income saved and when you plan to retire. If you plan to retire before age 67, the total amount you'll need to save will likely be higher. "Remember, these are just general numbers to guide you—going through the retirement planning experience can help customize how much YOU need," says Ryan Viktorin, CFP®, Fidelity Investments vice president and financial consultant in Framingham, Massachusetts.

Learn more about our 4 key retirement metrics—a yearly savings rate, a savings factor, an income replacement rate, and a potentially sustainable withdrawal rate—and how they work together in the *Viewpoints* Special Report: Retirement roadmap.

The good news is that people age 50 and up have the opportunity to save a lot more in tax-advantaged accounts. Investors can contribute an extra $7,500 to workplace retirement savings plans like 401(k)s in 2024 and 2025, and an extra $1,000 to IRAs and HSAs. Plus, someone heading into their 50s may be moving into their highest earning years so may be perfectly positioned to save more than ever with plenty of time until

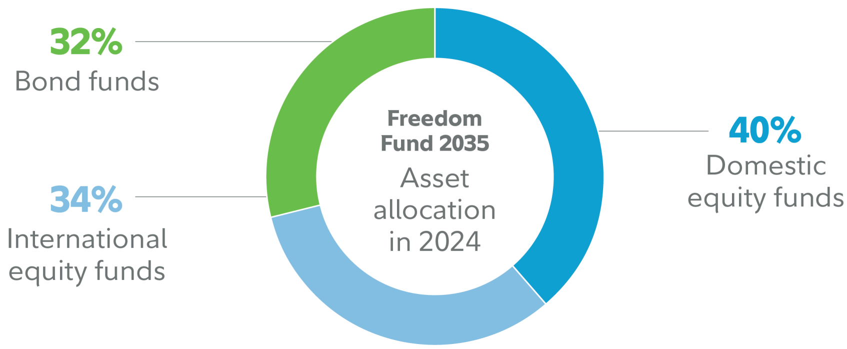
Feedback

retirement. And starting January 1, 2025, individuals ages 60 through 63 years old will be able to make catch-up contributions of up to $10,000 annually to a workplace plan, and that amount will be indexed to inflation.

Read *Viewpoints* on Fidelity.com: 50 or older? 4 ways to catch up your savings

As for the best ways to invest, again that depends. Some of the considerations include when you plan to start taking withdrawals from savings and any other sources of income you may have in retirement. With a decade or more before you are likely to retire, you will likely want to keep the majority of your retirement portfolio in a diversified stock portfolio. As you approach retirement, you will likely want to build more stability into your portfolio, balancing the long-term growth potential of stocks with the steady income that bonds can provide.

As an example, here is how a target date fund could be invested for someone retiring in about 10 years. Fidelity's target date funds, Fidelity Freedom® Funds (FFTHX), target an anticipated year of retirement and become more conservative (investing less in stocks and more in bonds) as the date nears and beyond.



As of 9/30/2024. For illustration only. Some domestic equity funds may invest a significant portion of their underlying assets in international securities. The allocation percentages may not add up to 100% due to rounding and/or cash balances. The displayed Fidelity Freedom® Fund's asset allocation, which may be subject to change, reduces its equity exposure as the fund's target date approaches, thus becoming more conservative.

As a father, I need to provide a quality education for my son and I need peace of mind during my retirement. How can I consistently juggle saving for retirement and saving for my son's education?

– Dave, age 53

"I go back to the 'put the oxygen mask on yourself first' analogy," says Viktorin. "Dad has limited time until retirement, while his son has his entire career to try and help pay for college. I would suggest exploring financial aid to see how much you'd qualify for and consider student loans for the son."

Scholarships or relatively lower-cost community colleges or in-state universities may help with education costs too. But there aren't really many ways to get assistance in retirement.

The question is: How much can you afford to save for education without risking your own retirement? The answer will be different for everyone based on their unique circumstances. If you're not sure, consider working with a financial professional to run the numbers for you—then you can see what the impact on your retirement could be if you saved a little more for education and saved less for retirement.

If you're hesitant to reach out due to the anticipated expense of working with a professional, don't be. "What most people don't know is that there is no cost for clients to speak to us and work together to build a plan," says Viktorin. "Every single time I meet with a client and explain that what I do is free, they are surprised!"

To get a sense for how you might want to prioritize your savings, start by understanding where you stand in relation to your goals. If you aren't sure, Fidelity's calculators may be able to help.

- For Fidelity customers: Create a retirement goal You'll also be able to set up other financial goals and track your progress. By answering a few questions, you can see how much you may have in retirement and how much you may need.
- If you're not a customer yet, The Fidelity Retirement Score[SM] can help you see if you're on track.

To help your education dollars go a little bit farther, consider a 529 savings plan. 529 savings plans are flexible, tax-advantaged accounts designed specifically for education savings. Contributions can be invested for growth potential and withdrawals of earnings are tax-free when used for qualified education expenses.

You can also ask friends and family to donate to your education fund in lieu of gifts on gift-giving occasions like birthdays, holidays, and special achievements. To learn more, visit the College gifting page.

Focusing on your retirement stability doesn't have to be the last word on the matter. "If things are going great and Dad has a surplus at any point or in retirement, he can always help his son pay off the education," Viktorin says.

I am having trouble paying down my debt and saving money because it seems like there's always a need to either use my credit card or dig into my savings. What is a good way to pay down debt and save? Should I pay down the debt first and save second or vice versa?

– Parker, age 32

"To me this is a conversation about expenses. If you're constantly using credit cards and/or dipping into savings to pay for things, I would look at the expenses to try and see where you can trim. Credit card debt can get away from you fast because the interest rates are so high," Viktorin says.

"Try and get to a place where your expenses are below your monthly income so that you can save for the future. Pay down credit card debt, build savings back up, and keep spending less than you earn" she says.

How to do that? Create a budget. Take a look at how much money you have coming in and going out each month and then work to reduce your spending.

Read *Viewpoints* on Fidelity.com: How to balance debt, saving, and investing

Some other things to consider as you're building your financial foundation:

- Make sure you have basic insurance in place to protect what you have. When it's offered through your employer, the cost is often extremely reasonable.
- Consider saving in tax-advantaged health care accounts. If you're eligible, saving money in a flexible spending account (FSA) or health savings account (HSA) can help you save on health care costs.
- If you don't already have one, build an emergency savings. A good goal to aim for at first: saving $1,000 or one month's worth of essential expenses, meaning food, housing, health care and other must haves.
- If you have one, sign up for your workplace retirement savings plan and try to save at least enough to get any match offered by your employer.
- Then put extra money toward high-rate credit card debt. It can make sense to pay down high-interest debt like credit cards as fast as possible before you tackle savings goals. Read *Viewpoints* on Fidelity.com: The debt snowball method vs. the debt avalanche method

And you don't have to do any of this alone. Fidelity has professionals who can help answer your questions and get you where you want to go.

What we offer
Consider our digital solutions and personalized advice.

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Planning for college **Saving for retirement** **Investing for income** **Preparing for retirement** **Living in retirement**

1. Fidelity has developed a series of salary multipliers in order to provide participants with one measure of how their current retirement savings might be compared to potential income needs in retirement. The salary multiplier suggested is based solely on your current age. In developing the series of salary multipliers corresponding to age, Fidelity assumed age-based asset allocations consistent with the equity glide path of a typical target date retirement fund, a 15% savings rate, a 1.5% constant real wage growth, a retirement age of 67 and a planning age through 93. The replacement annual income target is defined as 45% of pre-retirement annual income and assumes no pension income. This target is based on Consumer Expenditure Survey (BLS), retirement Statistics of Income Tax Stat, IRS tax brackets and Social Security Benefit Calculators. Fidelity developed the salary multipliers through multiple market simulations based on historical market data, assuming poor market conditions to support a 90% confidence level of success.

These simulations take into account the volatility that a typical target date asset allocation might experience under different market conditions. Volatility of the stocks, bonds and short-term asset classes is based on the historical annual data from 1926 through the most recent year-end data available from Ibbotson Associates, Inc. Stocks (domestic and foreign) are represented by Ibbotson Associates SBBI S&P 500 Total Return Index, bonds are represented by Ibbotson Associates SBBI US Intermediate Term Government Bonds Total Return Index, and short term are represented by Ibbotson Associates SBBI 30-day US Treasury Bills Total Return Index, respectively. It is not possible to invest directly in an index. All indices include reinvestment of dividends and interest income. All calculations are purely hypothetical and a suggested salary multiplier is not a guarantee of future results; it does not reflect the return of any particular investment or take into consideration the composition of a participant's particular account. The salary multiplier is intended only to be one source of information that may help you assess your retirement income needs. Remember, past performance is no guarantee of future results. Performance returns for actual investments will generally be reduced by fees or expenses not reflected in these hypothetical calculations. Returns also will generally be reduced by taxes.

This information is intended to be educational and is not tailored to the investment needs of any specific investor.

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Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible.

Stock markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. Investing in stock involves risks, including the loss of principal.

Fidelity Freedom Funds are designed for investors who anticipate retiring in or within a few years of the fund's target retirement year at or around age 65 and plan to gradually withdraw the value of their account in the fund over time. Except for the Freedom Income Fund, the funds' asset allocation strategy becomes increasingly conservative as the funds approach the target date and beyond. Ultimately, the funds are expected to merge with the Freedom Income Fund. The investment risk of each Fidelity Freedom Fund changes over time as its asset allocation changes. These risks are subject to the asset allocation decisions of the Investment Adviser. Pursuant to the Adviser's ability to use an active asset allocation strategy, investors may be subject to a different risk profile compared to the fund's neutral asset allocation strategy shown in its glide path. The funds are subject to the volatility of the financial markets, including that of equity and fixed income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small-cap, commodity-linked and foreign securities. Leverage can increase market exposure, magnify investment risks, and cause losses to be realized more quickly. No target date fund is considered a complete retirement program and there is no guarantee any single fund will provide sufficient retirement income at or through retirement. Principal invested is not guaranteed at any time, including at or after the funds' target dates.

Diversification and asset allocation do not ensure a profit or guarantee against loss.

Before investing, consider the funds' investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

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