

The Long and Short of It

Let's face it: There's always a tug-of-war between your present needs and your future goals. The trick is to strike a balance that allows you to begin building a retirement cache today and still have enough ready cash to fix your roof in case it collapses tomorrow.

If you've got your retirement savings plan in place, good for you. But if sticking to that plan has you financially strapped from day-to-day and year-to-year, it's time to take a step back. Remember, there are other important priorities you may want to plan for, such as building an emergency fund and saving to send kids to college. And what about those special treats to yourself such as vacation getaways or buying that cottage on the beach? "It's important for people to treat themselves now and then," says Barbara Steinmetz, a financial planner in Burlingame, Calif. "What's the point of saving for the future by making yourself miserable today?"

Gearing Up: The Early Years

When you're in your 20's, 30's, and 40's, you need to first determine how much you can save in your retirement plan, being sure to leave enough money in your budget for the here and now. Once you've begun to save, forget about that money-it's the cornerstone of your future. Also, be sure to tailor your retirement investments to suit your needs. The longer you have until retirement, the more money you should consider investing in stocks to fuel growth in your portfolio.

Build an emergency stash-experts recommend three to six months' salary held in an accessible account. Rather than a simple savings account, you'll get more bang for your "safety" buck in a money market checking account.

Prepare for other key goals on an individual basis. For example, you might set up an Education IRA or Roth IRA earmarked for your kids' college tuition-keeping in mind that you won't necessarily have to foot the whole bill yourself. Loans, grants, scholarships and your children's part-time jobs can help lighten the load.

Prime Time Planning

In your 50's and beyond, start to focus on yourself by visualizing life beyond the 9-to-5 workplace. Determine if you're on track to maintain the style of living you want. As expenses like mortgage payments and college tuition costs wind down, use this freed-up cash to pump up your retirement plan.

Second, consider a more moderate mix of investments as you get closer to the time when you'll begin drawing on the funds. You'll want a mix that adequately preserves your capital, provides regular income, and maintains the long-term growth potential needed to fund a retirement that may last over 20 years.

Figuring out how to pay for the present and prepare for the future is as much a personal decision as it is a financial one. That's why it's important to come up with a strategy that will allow you to fix that collapsed roof and also enjoy your life-both now *and* when you retire.