

Retirement Savings: Why Start Young

Outside of an investment in a home, a retirement savings plan is the biggest investment that most people make in a lifetime. Young people in their early twenties may think that retirement savings are the last thing they need to spend their money on. However the difference between starting at 22 and starting at 32 is substantial.

The Power of Time

Here is one example of how the power of time can work for you.

If you were to invest \$50 a week at age 22 with an average annual yield of 8%, at the age of 65 you would have \$925,469.08.

If you invested the same amount but didn't start until you were 32, with the same yield and at the age of 65 you would have \$409,829.34.

If you were to wait until you were 42, with all other factors being the same, you would have \$170,988.37.

Tools

David Bach's book *The Automatic Millionaire* describes how much you can increase your retirement savings just by investing the price of a latte a day. He calls it the Latte Factor. His free calculator can be found here.

http://www.finishrich.com/free_resources/lattecalculator.php

Here are some additional tools.

Canadian government.

https://srv260.hrdc-drhc.gc.ca/English-App/INT_01.asp

MSN Money

http://moneycentral.msn.com/investor/calcs/n_roth/main.asp

Suze Orman

<http://www.suzeorman.com/igsbase/igstemplate.cfm?SRC=MD012&SRCN=index&GnavID=20&SnavID=25>