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10 Steps to Retire a Millionaire

by Lisa Smith
Wednesday, October 22, 2008

provided by



Having a million-dollar portfolio is a retirement dream for many people. Making that dream come true requires some serious effort. While success is never a sure thing, the 10 steps outlined below will go a long way toward helping you achieve your objective.

1. Set the Goal

Nobody plans to fail, but plenty of people fail to plan. It's a clich  , but it's true. "Plan" is the leading self-help advice from athletes, business moguls and everyday people who have achieved extraordinary goals.

2. Start Saving

If you don't save, you'll never reach your goal. As obvious as this might seem, far too many people never even start to save. If your employer offers a 401(k) plan, enrolling in the plan is a great way to put your savings on autopilot. Simply sign up for the plan and contributions will be automatically taken out of your paycheck, increasing your savings and decreasing your immediate tax liability.

If your employer offers to match your contributions up to a certain percentage, be sure to contribute enough to get the full match. It's like getting a guaranteed return on your investment. Finding the cash to stash may be a challenge, particularly when you're young, but don't let that stop you from pursuing future riches.

3. Get Aggressive

Studies have shown that the majority of the returns generated by an investment are dictated by the asset-allocation decision. If you are looking to grow your wealth over time, fixed-income investments aren't likely to get the job done, and inflation can take a big chunk out of your savings.

Investing in equities entails more risk, but is also statistically likely to lead to greater returns. For many of us, it's a risk we have to take if want to see our wealth grow. Asset-allocation strategies can help you learn how to make picking the right mix of securities the core of your investing strategy.

4. Prepare for Rainy Days

Part of long-term planning involves accepting the idea that setbacks will occur. If you are not prepared, these setbacks can put a stop to your savings efforts. While you can't avoid all of the bumps in the road, you can prepare in advance to mitigate the damage they can do.

5. Save More

Your income should rise as time passes. You'll get raises, you'll change jobs, and maybe you'll get married and become a two-income family. Every time more cash comes in to your pocket, you should increase the amount that you save. The key to reaching your goal as quickly as possible is to save as much as you can.

6. Watch Your Spending

Vacations, car, kids and all of life's other expenses take a big chunk out of your paycheck. To maximize your savings, you need to minimize your spending. Buying a home you can afford and living a lifestyle that is below your means and not funded by credit cards are all necessities if you want to boost your savings.

7. Monitor Your Portfolio

There's no need to obsess over every movement of the Dow. Instead, check your portfolio once a year. Rebalance your asset allocation to keep on track with your plan.

8. Max Out Your Options

Take advantage of every savings opportunity that comes your way. Make the maximum contribution to tax-deferred savings plans and then open up a taxable account too. Don't let any chance to save get away.

9. Catch-Up Contributions

When you reach age50, you are eligible to increase contributions to tax-deferred savings plans. Take advantage of this opportunity!

10. Have Patience

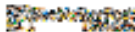
"Get-rich-quick" schemes are usually just that - schemes. The power of compounding takes time, so invest early, invest often and accept that the road to riches is often long and slow. With that in mind, the sooner you get started, the better your odds of achieving your goals.

The Reality Of Retirement

Retirement might seem far away, but it when it arrives nobody ever complains about having too much money. Some people even question whether a million dollars is enough.

That said, with lots of planning and discipline, you can reach your retirement goals and live a comfortable life after work.

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