

Retirement Tips for Young Workers

Getting a head start on retirement as a young worker is one of the most powerful financial moves you can make, primarily because **time** is your greatest asset. By starting now, you allow **compound interest** to do the heavy lifting, meaning you can often save less overall but end up with a larger nest egg than someone who starts later. Prudential Financial +4

1. Leverage Employer-Sponsored Plans

If your employer offers a retirement plan like a **401(k)** or **403(b)**, it should be your first stop for savings. Saving Matters (.gov) +1

Capture the Full Match: Many employers match a portion of your contributions (e.g., 50 cents for every dollar up to 6%). This is essentially "free money" and a 100% immediate return on your investment.

2026 Contribution Limits: For the 2026 tax year, the individual contribution limit for 401(k) and similar plans is **\$24,500**.

Automate Your Savings: Set up automatic payroll deductions so your retirement contribution is taken out before you even see your paycheck. This builds a "pay yourself first" habit. IRS (.gov) +6

2. Consider the Benefits of Roth Accounts

Younger workers are often in a lower tax bracket now than they expect to be in retirement, making **Roth** options particularly attractive. Prudential Financial +1

Roth IRA/401(k): You contribute after-tax dollars now, but your withdrawals in retirement (including all the growth) are **tax-free**.

2026 IRA Limits: The total contribution limit for traditional and Roth IRAs in 2026 is **\$7,500**.

Flexibility: Roth IRA contributions (not earnings) can generally be withdrawn at any time without penalty, providing a secondary layer of financial flexibility. IRS (.gov) +4

3. Harness the Power of Compounding

Compound interest is the interest you earn on both your original money and the interest you've already earned. Northwestern Mutual +2

The "Cost" of Waiting: A 25-year-old only needs to save roughly **\$440/month** to reach \$1 million by age 67 (assuming 6% returns), while a 30-year-old would need to save about **\$613/month** to reach the same goal.

Aggressive Allocation: Because you have decades before retirement, you can typically afford a more aggressive, **stock-heavy portfolio** that offers higher long-term growth potential. Prudential Financial +3

4. Build a Balanced Financial Foundation

Retirement shouldn't be your only goal; a stable foundation prevents you from dipping into retirement funds early. First Business Bank

Emergency Fund: Aim for **three to six months** of living expenses in a high-yield savings account so you aren't forced to use credit cards or retirement loans during a crisis.

Manage High-Interest Debt: While saving for retirement is vital, prioritizing the payoff of high-interest debt (like credit cards) is equally important to avoid losing money to compounding interest in the wrong direction.

Health Savings Accounts (HSAs): If you have a high-deductible health plan, an HSA offers a triple tax advantage: pre-tax contributions, tax-free growth, and tax-free withdrawals for medical expenses. Northwestern Mutual +6

5. Smart Habits for Long-Term Success

Increase Contributions with Raises: Every time you get a promotion or raise, aim to divert at least half of that increase into your retirement account before your lifestyle adjusts to the higher income.

Don't "Cash Out" Between Jobs: If you change employers, roll your old 401(k) into your new employer's plan or an IRA to keep your money invested and avoid taxes and penalties.

Use the Saver's Credit: If you are a low-to-moderate-income worker, you may be eligible for a **tax credit** just for contributing to a retirement account. IRS (.gov) +6

To help you get more specific, are you more interested in:
Comparing **Traditional vs. Roth** accounts based on your current income level?

Setting up an **automated investment strategy** (like target-date funds or index funds)?
Ways to balance **student loan repayment** while still saving for retirement?