



# CHECKPOINTS, SAVINGS RATES, & RATIOS TO ASSESS YOUR FINANCIAL HEALTH

## Retirement Savings Checkpoints:

	Current Household Income													
	\$30,000	\$40,000	\$50,000	\$60,000	\$70,000	\$80,000	\$90,000	\$100,000	\$125,000	\$150,000	\$175,000	\$200,000	\$250,000	\$300,000
Assumed Savings Rate:	5%	5%	5%	5%	5%	5%	5%	10%	10%	10%	10%	10%	10%	10%
Current Age	Checkpoint (x Current Household Income)													
25	See Other Table		0.1	0.3	0.5	0.6	0.8	0.1	0.4	0.6	0.8	0.9	1.1	1.3
30	For	0.2	0.5	0.7	1.0	1.1	1.3	0.7	1.1	1.3	1.5	1.7	1.9	2.1
35	Guidance	0.6	0.9	1.1	1.5	1.6	1.9	1.5	2.0	2.2	2.5	2.7	3.0	3.2
40		0.3	1.0	1.4	1.6	2.1	2.3	2.5	3.0	3.3	3.6	3.8	4.2	4.5
45		0.6	1.5	2.0	2.3	2.8	3.0	3.3	3.5	4.2	4.5	4.9	5.2	5.9
50		1.0	2.1	2.6	2.9	3.6	3.8	4.2	4.7	5.5	5.9	6.3	6.6	7.5

Example: For a 40-year-old with a household income of \$100,000:  $\$100,000 \times 2.5 = \$250,000$  is the amount that you should have saved today assuming contributions continue. J.P. Morgan Asset Management Guide to Retirement 2023.

## Annual Savings Needed if Starting Today:

	Current Household Income													
	\$30,000	\$40,000	\$50,000	\$60,000	\$70,000	\$80,000	\$90,000	\$100,000	\$125,000	\$150,000	\$175,000	\$200,000	\$250,000	\$300,000
Current Age	Savings Rate (x Current Household Income)													
25	3%	5%	6%	6%	7%	8%	8%	10%	12%	12%	13%	14%	15%	15%
30	4%	6%	7%	8%	9%	10%	11%	13%	15%	16%	17%	18%	19%	20%
35	5%	8%	10%	11%	12%	13%	14%	18%	20%	21%	23%	23%	25%	26%
40	6%	11%	13%	14%	16%	17%	19%	23%	26%	28%	30%	31%	33%	34%
45	9%	15%	18%	19%	23%	24%	26%	33%	37%	39%	41%	43%	46%	48%
50	13%	21%	25%	28%	33%	35%	38%	47%	53%	56%	60%	62%	66%	69%

Example: A 40-year-old with household income of \$100,000 and \$0 saved today may need to save 23% every year until retirement.

Assumptions: pre-retirement 60/40 portfolio, post-retirement 40/60 portfolio, 2.5% inflation, retirement age of 65, 35 years in retirement. J.P. Morgan Asset Management Guide to Retirement 2023.

### High Earners Need to Save a Greater Percent of Income:

- Social Security replaces a lower portion of pre-retirement income for high wage earners.
- Legislation to address the expected long-range solvency problem of Social Security could lower future benefits.

### 401(k) Balances & Vesting:

- When looking at Checkpoints, remember that employer matching contributions can take up to 5 years to fully vest.
- The current plan balance may need to be adjusted if the saver may not fully vest with the current employer.

### Debt Management & Mortgage Qualification:

- Monthly principal, interest, taxes, and insurance payments should not exceed 28% of gross monthly income.
- Monthly payments of all debt should not exceed 36% of gross monthly income.
- These ratios do not consider Checkpoints and are only meant to measure repayment ability; they do not mean that you *should* have debt payments as high as those figures. Little may be left for meeting other financial obligations.

### Credit Use:

- Total credit in use should not exceed 30% of credit available.
- Paying bills on time is the most important factor in determining your credit score.

### Budgeting Framework:

- 50% of take-home to Essentials: housing, utilities, groceries, transportation, insurance.
- 30% of take-home to Lifestyle: dining out, entertainment, shopping, hobbies.
- 20% of take-home to Future: savings, retirement, long-term financial goals.

### Opportunities While You Are Young:

- Qualifying for affordable disability and life insurance premiums while young and healthy.
- Direct contributions to a Roth IRA before income exceeds limits.

### Building a Financially Successful Future:

- Start investing early. Compound interest is the magic ingredient that can turn a little money into a lot.
- Live within your means. You need to spend less than you earn to tackle financial goals.
- Invest in Yourself. Developing your education and skills can lead to higher earnings potential over time.

Ask Us for Helpful Resources on Specific Topics like Getting Married, Buying A Home, or Having a Child.