# 3 Retirement Savings Choices

We've all been there: scratching our heads wondering what to do with all the retirement savings accounts. Too many choices can be overwhelming, until you step back and realize that there are actually only three questions. Once you know this, starting to make decisions becomes much easier.

It doesn't matter if you have a Roth individual retirement account, a traditional IRA, an employer-based 401(k) or a deferred compensation plan. The three things you have to decide are:

- How much to contribute
- How to allocate among asset classes
- Which funds to choose

One of these three decisions is significantly more important to the overall success of your plans. How much you contribute makes a much greater difference in the outcome of a plan than your allocation or fund choice possibly can, even in the best of circumstances.

This doesn't mean that you should not pay careful attention to the other two, but experience tells us that you can make a mistake here and there with them without sinking the boat. By choosing to save as much as possible, we lay the groundwork for asset allocation.

Each year the Internal Revenue Service tells you how much you can contribute to different accounts. For example, the maximum contribution to your 401(k) plan is $18,000 in 2015, with a $6,000 catch-up for those over 50.

The rule of thumb is that you should set aside at least enough retirement savings to get the maximum from your employer's match, assuming it is available. Beyond that, the more you can salt away, the more compounding can work for you.

Allocation decisions – what percentage to invest in stocks and bonds, as well as in sub-classes like large-capitalization, mid-cap and small-cap stocks or corporate and government bonds – depend on your own timeline, risk tolerance and return needs.

Sometimes, each asset class offers you more than one fund choice. The first thing to compare is the expense ratio, meaning the fund's operating costs as a percentage of its assets. This is the simplest factor you can control. A lower-cost fund can make a larger difference than an aggressive allocation in the later years of a plan.

But here's something about this process that I wager you didn't realize, which is to have an overall plan. That means developing goals, mapping out how you achieve them and then putting the plan into action – sticking to it, through thick and thin, and continuously monitoring your progress.

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I know you're saying to yourself, "What a shock. The planner guy is advocating that we have a plan." Touché. But I recommend that you develop a sound financial plan even if you don't hire someone. It is the foundation for you to make the right decisions about your retirement savings.