YOUR FINANCES
Six Key Steps To Take

Millionaire Retirement Account Ranks Are Up

The main question is: How can you build your IRA, 401(k) balances?

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The number of 401(k) accounts and IRAs with balances of $1 million or more is still climbing, according to millionaire head counts by several big fund families. The number of millionaire 401(k) accounts alone at Fidelity Investments soared 10-fold over the 10 years ended Oct. 31.

The number of savers with $1 million or more in 401(k) accounts run by Fidelity rose to 187,400 as of Sept. 30. That was up 41% over a year earlier.

The number of IRAs worth $1 million or more in Fidelity's custody rose to 170,400 at the end of Q3 2018. That was up 25% in one year.

T. Rowe Price, American Century and Vanguard as well as account custodian and brokerage TD Ameritrade report a similar trend.

For instance, millionaire 401(k) accounts in plans run by T. Rowe PriceTROW rose about 36% year-overyear as of Sept. 30, the big Baltimore-based fund family said. Millionaire IRAs held with T. Rowe Price rose 20% in that year.

Keys To Success

The rise in retirement account millionaires stems from savers educating themselves about steps they can take to protect and grow their savings, said Katie Taylor, Fidelity vice president of thought leadership and a retirement savings expert.

New plan features like auto enrollment and the increasing use of target date funds have contributed to an increasing amount of positive savings behavior over the last 10 years. “More people are taking a disciplined approach to retirement,” Taylor said.

A key step is saving at least 15% of pay a year toward retirement, Taylor added.

Your retirement savings balance stands a better chance of reaching that threshold if you take six steps designed to maximize growth in retirement accounts, recommended by Meghan Murphy, a Fidelity 401(k) expert:

Start early.

Invest the yearly maximum.

Invest smartly. If you can’t afford the maximum allowed each year, at least aim for a contribution amount that will trigger the largest company match offered.

Invest for growth.

Stick to your plan. Do that by rebalancing your portfolio periodically. And avoid mistakes like cashing out early.

Use target date funds. That’s important if you can’t make appropriate investment decisions for yourself or don’t want to try.

Strategic Details

The reason for starting early? Compound growth. Murphy said, “The earlier you start to save and invest, the easier it is to reach your ultimate financial goal.”

Suppose you are 25 years old. Your retirement account has $10,000 and you invest for 40 years, averaging a 5% annual return. Let's say you invest $500 a year. After 40 years, your balance will be about $133,820, according to a Bankrate.com calculator.

If you delay the start of investing by 10 years, to reach roughly that same balance after 30 years, you'll need to sock away more than twice as much — $1,299 annually.

Investing wisely means investing the yearly maximum allowed. That turbocharges your compound growth. So does saving 15% of your pay, including any employer contribution or match, each year.

Investing wisely also means investing as much as required to earn the maximum company match. Why? Because your employer's matching contribution in a 401(k) is like earning a higher rate of return.

Imagine contributing enough to increase your company match by, say, 2 percentage points a year. That's the same as earning 7% a year instead of 5%.

To invest for growth, you must invest in stocks, which grow more in the long run than bonds or cash.

And why use target date funds? Instead of having to make your own investment decisions, a team of professionals decides for you what sort of securities to buy, which specific ones and when.

That team also boosts the portion of bonds and cash in your fund as you approach and enter retirement. That should lower your volatility. It can also boost your fund's income yield.