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How to Make Successful #MillennialRetirementPlans—Shocker, It *Is* Possible

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Ah, the carefree days of retirement: no job to report to, slow sun-soaked vacations, all the snacks you could possibly want. At least, that's the idea, right? Lately millennials aren't even sure this freedom from the workforce is even attainable. But honestly, who can blame them?

With stagnant wages, rising cost of living, mounting student debt, and Social Security on the verge of a major breakdown, it seems nothing is stacked in their favor. In fact, the average millennial has less than $8,000 to their name. Countless articles have covered the crisis in the last few years, from a viral Huffington Post interactive aptly titled "FML" to Medium think-pieces predicting what retirement will look like in 50 years—and spoiler alert, it's all pretty gloomy.

Most recently, the hashtag #millenntialretirementplans took over Twitter, and we watched with both belly laughs and inescapable terror as the memes ran rampant. Sure, it's (sort of) funny to joke about working on your deathbed (dark, we know) but what are we *actually doing* about it?

As much as you may want to blame baby boomers and Gen X for the slew of financial hurdles in our way, millennials actually have more options than they think. And there are plenty of steps to take today. Like right now. "If anything, this is a call to action," says Ariel Fortunato, a financial advisor at Brown Advisory. "The path to success is even more self-defined now. Millennials should be thinking about retirement investments because that's money in their control, and not up for any legislative debate."

We spoke with personal finance influencers who've paid off mountains of debt in just a few years, and tapped investment experts for their best pro-tips to saving for retirement and beyond. Here's everything you need to know to get started:

Stop putting it off

The first step is facing your fears and checking your dang bank account already. Often this comes from a disassociation with money management, or even anxiety surrounding finances.

"If you feel like this is intimidating, you're not alone," Fortunato says. "We hear that from every generation in every demographic. Don't feel embarrassed or ashamed, all it takes is a bit of knowledge to get on track."

This requires a complete shift in perspective. Certified financial education instructor and influencer Jamila Souffrant, the force behind personal finance podcast and investment community Journey to Launch, credits her success to growth mindset. With it, she saved $169,000 in two years.

"My suggestion is to look inward and uncover what's blocking you from moving ahead. If you think you're always going to be poor or broke, things won't work for you," she says. "That's deficit mindset. Instead of thinking 'I can't,' I ask myself ‘how can I?’—because even with doubt, once you believe you can do it, you will.”

Finance blogger and influencer Carmen Perez, who recently paid off $57,000 in debt and quit her six-figure finance gig to pursue coding, echoes this sentiment: “Don’t neglect the hard stuff, and always handle whatever seems scary. Look at your statements, talk to human resources, and set up a wealth plan.”

Who you follow can also factor into your success. Souffrant strongly suggests researching, reading, listening, and conversing with like-minded individuals. “Surround yourself with people who are also being smart with their money, or reaching financial independence… make it the norm and not something so out-of-the-ordinary,” she says. “That alone will make it feel and actually become more attainable for you.”

Keep yourself in check

Every expert we interviewed agreed that most millennials aren’t prioritizing their “burn rate,” which is to say that 20-somethings tend to spend more (*cough* bottomless brunch *cough*) than they can afford.

The truth is that your first step to retirement planning is creating a budget, and sticking to it—hard. This means becoming very familiar with your bank account. “You must be able to identify exactly what your inflows and outflows are,” says Michele Lee Fine, president of Cornerstone Wealth Advisory and financial representative of Guardian Life Insurance, who was not alone in taking a critical look at expenses.

“You need to prioritize in a way that’s conducive to paying off your debt and investing in your future simultaneously,” Perez says. “When you come out of college and get that first job, taking anything from your check can feel like a massive blow because you're already dealing with a ton of bills. It's easy to think that even a 1% contribution— say, $80—to your retirement account could go toward your cell phone bill instead."

To rejigger your priorities, she suggests creating buckets in your budget. Make room specifically for 1) paying off debt, 2) saving an emergency fund, and 3) investing in a retirement account. "If you start the pattern and habit early, it makes your contribution more effective but you'll also barely notice it!" she says. "Then, as your debt gets smaller, you can save more toward investments your employer might match, or high-yield accounts that work harder for you."

Of course, this can be much easier to talk about than put into practice. Trimming the fat from your expenses often requires tough decisions and judgment calls. "There are so many demands on your money that it can be hard to prioritize," Fortunato says. "You need to have a very real, very honest conversation with yourself."

But you're not alone, and there are tons of "behavioral hacks" she recommends for cutting spending and increasing income: track your non-negotiable spending (rent, student loan payments) and cut down your "wants," pre-load a Starbucks card every month, divvy up and set aside cash for your expense buckets every week.

Souffrant also suggests putting payments in automatic mode. "That instantly takes away the pressure of following-through," she says. Transferring to savings from your check before you get it can definitely help, but mindfulness and pre-planning are the real keys.

"Like anything else, you're much more likely to achieve a financial goal if you've written it down," Perez stresses. "If you have a budget with everything written out, you might struggle with sticking to it at first, but over time it will become a habit, and you'll get closer to your goal number than you ever thought."

What's more, that number can become a safety net. "You should build a reservoir and then begin to focus on longer term planning," Fine says. "Think of it this way: every dollar that comes in has a short-term, midrange, and long-term purpose."

Choose your fighter wisely

There are multiple types of retirement options to choose from, but the most common, and often most practical, are 401k and IRA accounts. The main difference is that 401k is employer-sponsored and offered as a benefit, while an IRA is completely separate from your employer and offers a bit more control. With an IRA, which is dependant on the market, you can also choose which financial institution to open the account with, and invest as you wish.

On the flipside, 401k accounts are governed by the IRS, and there are limits to how much you can contribute each year—outside of what your employer matches. Each year, that limit adjusts slightly. Currently, that cap is $19,000. The biggest benefit, according to Fortunato, is that once you enroll, payments come directly from your paycheck before tax. However, it's important to note that while you aren't taxed on your contributions, you will be taxed on what you withdraw later on. You're also limited to what your employer offers.

Deciding which is best for you is an extremely personal decision. Each of the financial advisors, influencers, and educators we spoke with all agreed that there is no prescriptive advice to offer everyone. But there are ways to decide: look at your money goals very closely, weigh the pros and cons of each, and finally decide where you'd like to be in the end in order to work backwards. Remember: Many people invest in both types of accounts.

That said, Fortunato notes, the 401k is typically best to get started, so you can take full advantage of employer matching. She strongly recommends meeting with the Human Resources department to understand everything available to you, and just how much your company will put toward your investment.

“The same way you’re paying your rent or mortgage, you’re paying yourself when you invest,” Souffrant says. “And if your employer will match you, that’s free money you’d be leaving on the table.”

No matter your choice, Fine reminds of the responsibility you have to your future self to make better financial decisions today. “You have to be the captain of your own financial ship,” she says. “It’s important to build your savings in a systematic way so you can essentially make your own pension for the future.”

Pay yourself early and often

Once you finish reading this, it’s time to take serious action. Because, when it comes to millennial investing, the present moment is your best friend. If, like our experts suggest, you start the pattern and habit of saving for retirement early on, every contribution—no matter how small—will compound and become more effective later on. In your early 20s, they suggest you start small by allocating between 1 to 5 percent of your income to retirement investments and you’ll thank yourself in your 30s.

Fortunato breaks it down pretty simply: “By self-funding in a 401k or IRA, you can take advantage of time. If you start investing today, it will grow and compound over the long term. Your assets will become super productive and you are worth much more in the future.”

To be even clearer, if you were to put $200 into your retirement account at ages 25 and 35, you will see much more benefit from the first payment—due to 10 years of compounding interest. The growth is exponential here, so start taking advantage!

“If I had started sooner, I’d be so much better off,” Souffrant agrees. “You have to set more aside and do so much more work if you put it off. If you start early, it only takes a fraction of the amount. And once you have that down pat, you have so much less to worry about later on.”

Perez echoes this, with a caveat. Just like the debt snowball concept, you can amass even more wealth by incrementally bumping up your contribution. “Make it a goal to feel a little uncomfortable and then you’ll get accustomed to it over time. You can work toward increasing 1,2, or 3 percent every year,” she says. “Do this every six months or every year and you’ll really be stacking savings. Those increments you start not even noticing and then one day you’re contributing that ideal 15 to 20 percent of your income.”

The bottom line: “In order to have the financial independence to travel, retire, quite a job—whatever you want to do—you have to save and grow assets,” Fine says. “And you really can’t make up for lost time. Start now.”