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Financial security

It is a question that many young inquisitive researchers fail to ask: "How well am I planning for my retirement?" Indeed, many are too busy establishing their professional careers to worry about preparing for retirement. It's too far away! Young scientists are not unlike many in other professions who delay any serious thought of financial planning for retirement until mid-career, when other competing concerns, such as mortgages or their children's education, vie as savings goals. Given that one's retirement period might last 20 years or longer, it's worth a few moments of thought.

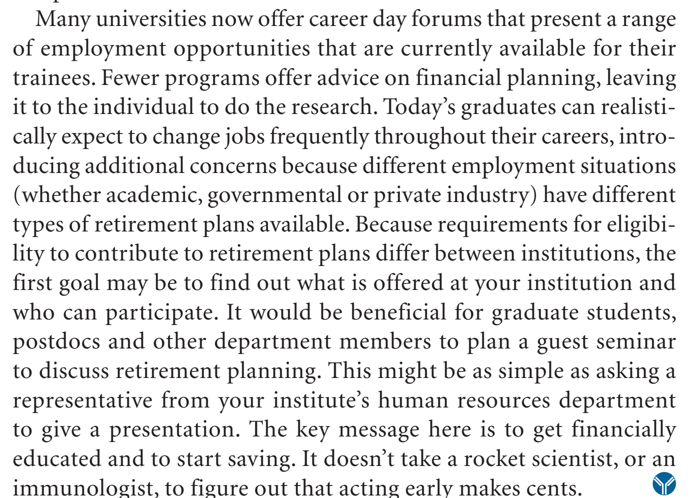
The adage "Time is money" certainly rings true. Financial experts agree that the earlier one starts planning for the retirement years, the more likely one is to enjoy a lifestyle similar to that established during one's productive work years. Contributing even small amounts on a regular basis, starting in one's twenties, to a retirement savings plan can make a big difference owing to the effects of compounded interest and investment return over a 30- or 40-year span. Far too often, however, people start later and find themselves playing a game of 'catch-up' where they must invest larger amounts of principal to equal the returns they might have gotten by investing smaller amounts earlier.

Often graduate students and postdoctoral trainees lag behind their college classmates (who have entered the job market directly after graduation) in setting up savings plans dedicated to their retirement years. This scenario might simply reflect the limited investment or savings options (if any) that are available to young trainees at their host institutions. In this respect, students and postdocs may be considered akin to transient or independent contract workers, for whom extensive employee benefits are not applicable. This definition commonly applies to recipients of research fellowships. Although prestigious and certainly coveted, being a research fellow might further delay one's participation in retirement savings plans because such individuals are considered employees of the research granting body, and not necessarily of their home institute. Yet some options still available to these individuals, providing, of course, that they are aware of them.

At least in the United States, recent changes in the tax code hint at things to come—individuals will need to become more proactive in their retirement planning. Substantial increases to the dollar amount allowed for deductions to retirement savings (such as 401(k) or 403(b) plans), as well as higher contribution limits for individual retirement accounts (IRAs), have been implemented over the last 5–10 years. So what are 401(k)s and 403(b)s? Simply put, these are savings plans that allow employees to direct a percentage of their gross income to investment accounts dedicated to their retirement years. The numbers refer to relevant section of the US tax code: 401(k) plans apply to employees of private companies, whereas 403(b) plans are reserved for employees of educational or nonprofit institutions. The advantage of both programs is that contributions are 'pre-tax'; that is, they allow one to reduce one's overall tax liability while saving for the future. Often, opting to participate in such employer-sponsored retirement plans does not reduce one's 'take-home' pay (it may even increase it in some circumstances). Most financial consultants recommend contributing the maximum amount allowed per year for individuals—$14,000 in 2005. IRA contributions come out of take-home pay, but the income earned on these savings plans is tax deferred or even tax-free, thus reducing one's overall tax liability during retirement.

At the same time, private corporations are also cutting back on employer-sponsored pension plans, opting instead to match employee-elected payroll deductions in programs such as the 401(k) savings plan. In fact, according to a recent report published by *The Wall Street Journal*, some companies are now starting to automate employee enrollment in 401(k) plans, requiring employees to explicitly opt out of them, in contrast to the more common situation where employees are offered the choice to opt in. These changes reflect the goal of increasing the national personal savings rate, as well as a more somber reckoning that social safety nets might not have adequate funds in the future to support retirees.

Many companies and institutions offer programs matching portions of their employee's contributions, although the specifics of eligibility requirements vary. Consider this free money. Because these funds can be invested as aggressively as your personal risk tolerance permits and are likely to accrue value over time, opting into such plans, if you are eligible, should be strongly encouraged. Beyond employer-sponsored plans, contributions to tax-deferred or tax-free (with respect to their income growth upon investment) IRA plans can provide substantial retirement income.



Many universities now offer career day forums that present a range of employment opportunities that are currently available for their trainees. Fewer programs offer advice on financial planning, leaving it to the individual to do the research. Today's graduates can realistically expect to change jobs frequently throughout their careers, introducing additional concerns because different employment situations (whether academic, governmental or private industry) have different types of retirement plans available. Because requirements for eligibility to contribute to retirement plans differ between institutions, the first goal may be to find out what is offered at your institution and who can participate. It would be beneficial for graduate students, postdocs and other department members to plan a guest seminar to discuss retirement planning. This might be as simple as asking a representative from your institute's human resources department to give a presentation. The key message here is to get financially educated and to start saving. It doesn't take a rocket scientist, or an immunologist, to figure out that acting early makes cents.