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The 5-Decade Plan for a Successful Retirement

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A Morningstar report released last month got a lot of attention: It claimed that retirement savers relying on common financial planning assumptions and rules of thumb could be building a nest egg as much as 20 percent larger than what they actually need.

After all, if you've socked away more money than you'll ever need in retirement, you're probably depriving yourself of luxuries—like vacations or lifestyle upgrades—that you could probably afford while you're young enough to enjoy them.

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It's a fair point, but here's the problem: Most Americans aren't adhering to those retirement planning rules of thumb in the first place. Most aren't even planning for retirement at all. More than 43 percent of workers are not currently saving for retirement, and more than half have saved less than $25,000 to fund their golden years, according to a recent report from the Employee Benefit Research Institute.

As any financial planner will tell you, it's never too early to start thinking about your retirement goals and how much you'll need to fund them. Researchers have shown that people who visualize a goal are more likely to take concrete steps to achieve them.

Admittedly, it's a lot easier for a 50-something boomer to imagine retirement than it is for a 20-something recent grad who just landed his first full-time job. But that's no excuse for inaction. When it comes to retirement, here's what you should be doing at every age:

Your 20s
Make retirement saving a priority as soon as you collect your first paycheck. Even if you feel you're not yet making enough money to save, putting something away regularly will get you into an invaluable habit early on. Start out just putting 1 percent or 2 percent of your income into your retirement account, although if your company offers a 401(k) match, try to save enough money to get the full amount offered.

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Once you're setting a little bit aside, focus on more immediate financial goals, such as paying down high-interest debt and establishing an emergency fund with at least six months' worth of living expenses. "If you don't do that, an emergency comes up and you end up pulling money out of your retirement account and you're back to square one," says Curt Knotick, a retirement planner in Butler, Pa.

Your 30s
As you start to establish yourself professionally and begin making a bit more money, it's tempting to get lured into keeping up with the Joneses. These are the years when you establish an adult lifestyle that can influence your finances for the rest of your life.

This is where visualization comes in. "When people think about retirement planning from an early age, they may see it impact some other decisions, such as what size house they buy or how many children they have," says Don Roy, a financial advisor with New England Wealth Advisors in Merrimack, N.H. "It's important for young people and young couples to have those conversations and set their priorities."

As you start making more money, you should also start ratcheting up your retirement contributions. A relatively painless way to do it is to increase your contributions every time you get a salary bump at work.

Your 40s
One of the biggest financial concerns for people in this age bracket is setting aside enough money for their children's education. That's an important goal, but don't let it come at the expense of your own retirement planning. Your children can always borrow money for college, but if you run out of money in retirement, there's no bank to bail you out. You may, instead, end up becoming a financial burden on the same children you're so focused on now.

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By this age, you should be aiming to save at least 10 percent to 20 percent of your take-home pay. If you're maxing out your 401(k), look into IRAs or brokerage options.

Your 50s
Once you're eligible for AARP membership, it becomes easier to see yourself in retirement, and now's the time to refine your plan and take tangible steps to get there.

If you haven't met with a financial planner yet, make an appointment to go over what you've got saved and what you'll need in retirement. "Since retirement is the most expensive decision you'll ever make in your life, it's worth reflecting upon what you spend your money on and how that's going to change," says David Blanchett, head of retirement research at Morningstar Investment Management, and author of that report on how to adjust your retirement savings.

With realistic assumptions under your belt, talk to your financial planner about whether you're on track to save enough to meet your goals. If your savings are falling short, you'll need to work longer or scale back your retirement dreams.

One big stumbling block for 50-somethings: debt. It's become increasingly common for Americans to retire with outstanding debt, exponentially increasing the amount they need to have saved in order to meet their obligations in retirement. Between 1989 and 2010, the median value of debt among older families increased more than five-fold, according to a recent report by the Boston Center for Retirement Research. Creating a plan now to eliminate debt—including your mortgage--before you retire will make your nest egg stretch much further.

Your 60s
This is the home stretch. By now, you should have a sense of when and how you can begin scaling back your work and easing into retirement. Projections often collide with reality, however, so try to give your retirement plan a test drive. While you're still working, spend a year trying to live within the retirement budget you've created to see if your forecast spending is realistic. If possible, move into the house you plan to retire in, and take some time off for travel or for leisure activities you hope will occupy your retirement years. Then, as is always the case with retirement planning, adjust.

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