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3 Ways to Rethink Retirement for Millennials

The old retirement doesn't exist anymore. Millennials need to prepare for an uncertain future.

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For many baby boomers, retirement planning was simple: Work at a job for 30 years and retire with a pension. Possibly, they may have held some other investments, but for most, holding down a steady job with a solid pension helped create a nice retirement lifestyle.

But today, many millennials will not be fortunate enough to enjoy their parents' idea of retirement, and will instead face greater financial uncertainty in their golden years. There are several reasons retirement (and retirement planning) will look much different for millennials than their parents' did.

First, and perhaps most importantly, the era of the company pension has all but disappeared. The burden of retirement planning shifted to the employee through 401(k) plans (often with an employer agreeing to match contributions up to a certain percentage).

In addition, millennials are slated to generally live longer than their parents. Although that's mostly great news, it leaves the newest generation entering the workforce with two options: They either have to save more for retirement because their money will have to last longer, or they will have to work longer. In other words, to rephrase lyrics of an Average White Band song, "Millennials, we've got work to do."

So, what can millennials do today to prepare for a successful retirement? Here are three tips to help millennials change the way they think about successful retirement planning.

1. 401(k) contributions: Just do it! According to Voya's 2013 Retirement Experience Study, paying off debt and other loans is a top priority for a fifth of preretirees. Deciding how much to contribute to a 401(k), if at all, can be difficult. Debt is a reality for many millennials, and it can be easy to forget the golden rule of personal finance: Pay yourself first. A steadfast focus on paying off debt is essential for living today, but saving is necessary for one's future financial security.

There is no hard and fast rule for how much to contribute to a 401(k), because everyone's financial situation is different. There are all sorts of general rules and ratios people have thrown out, including, that you should spend 75 percent of your salary, save 20 percent and give 5 percent to charity. That may work for some, but not all. Bottom line: Just contribute!

2. Never walk away from free money. There are very few times in a person's life when they are ever handed "free money." However, if an employer offers matching contributions, you are in luck. It is important to contribute enough to get the full match. Don't leave "free money" on the table. For example, if an employer will match up to 6 percent of an employee's contribution to their sponsored 401(k) plan, millennials should try to contribute at least 6 percent. Remember that the contribution is made with pretax dollars, so you will hardly even miss it in your paycheck and could possible reap larger rewards around tax time.

A word of caution: Be sure to check with the employer to see what happens to the funds they match. In some cases, employees need to have worked at the company for a specified amount of time before they are vested in this matching money. This means if an employee leaves before the required time, they will forfeit the matching money.

3. Be bold. Be wise. Millennials can afford to be more aggressive in their 401(k) allocations. They have a time horizon of at least 30 years of employment ahead of them, so those more risky investments have time to sustain any market fluctuations. Millennials may want to consider putting the majority of their investments in stock funds.

When choosing their 401(k) allocations, millennials need to take into consideration that they may have a longer time horizon before retirement, and also their personal risk tolerance. Due to their longer time horizon, most millennials will want to consider both, when choosing their asset allocation in their 401(k). Generally, the greater an investment's possible reward over time, the greater its level of price volatility, or risk. They need to remember all investments carry a degree of risk, and past performance is not a guarantee of future results. It may also be a good idea to work with a financial advisor to help with asset allocation queries.

Retirement planning is not for the faint of heart. Millennials are saddled with more debt, more uncertainty and more rules and regulations than their parents ever faced. It is important for millennials to remember that retirement planning is a process, not a prize at the end of a 30-year career.