How Much 20-Somethings Should Save

Your 20s may seem like an odd time to think of retirement, but it's actually the perfect moment to start planning for your later years. That's because the earlier you start saving, the more time your money has to grow.

Savers who begin setting aside 10% of their earnings at 25, for example, could amass significantly more by retirement age than those who wait just five years to start saving. You can use [online calculators] to see how much starting saving now can produce once you reach retirement.

Building a nest egg on a starter salary and a shoestring budget can seem daunting, though. Focusing on the incremental savings, rather than the goal, can help your savings objectives feel more manageable.

How much to save for retirement

For those earning around $25,000 a year, the median income for 20 to 24 year olds in 2015, saving the recommended sum of 10% amounts to a little more than $200 a month.

It may seem like a reach, but consider this: If you start saving $100 a month at age 25 and invest it to return 7.7% a year -- the average total return of the Standard & Poor's 500 Index of U.S. stocks over the past decade -- you'll have more than $378,000 available at retirement age. And it could be tax-free.

If you wait until you're 30 to start and save the same monthly amount at the same rate of return, you'll wind up with less than $253,000.

Several vehicles can help you build a retirement fund. A 401(k) contributory plan, typically offered by your employer, is often the most convenient and easily accessible of these. Contributions you make usually aren't taxed, which helps reduce your income tax liability.

Pre-tax 401(k) accounts make up around 80% of retirement plans offered by employers, according to the American Benefits Council. Roth 401(k) accounts are another option, though these are less widely available, and money contributed to a Roth 401(k) account goes in after it's taxed. Money withdrawn from this type of account -- including earnings -- is usually tax-free.

Companies that offer a 401(k) plan often match employee contributions, up to a certain percentage. This is essentially free money toward your retirement.

If your employer will match your contributions, try to take full advantage and commit a large enough percentage to get the full benefit.

Beyond a 401(k), individual retirement accounts, commonly referred to as IRAs, offer another solid option. There are two types: traditional and Roth.

Money put into a traditional account is tax-deferred, similar to funds put in a traditional 401(k) plan. That means those funds aren't taxed until they're taken out. But typically any earnings you make with the money are also subject to income taxes on withdrawal.

Money put into a Roth IRA has already been taxed when you earn it, so there's no immediate tax benefit. When it's time to withdraw the cash, however, you usually don't pay taxes on it. And anything the money earns also can be taken out tax-free.

Contributions to both types of IRAs are currently capped at $5,500 a year for those under age 50, and $6,500 for older workers.

How much to save for emergencies

In addition to retirement, it's also wise to save for a rainy day. Ideally, your emergency fund should be enough to cover three to six months of living expenses.

Some experts suggest setting aside even more for savings and investments: 20%. That's roughly $415 a month on an annual income of $25,000.

That's not always feasible, especially if a big chunk of your monthly income goes to student loan and credit card payments. Consider saving what you can, even if it's just $10 a month.

Making a habit of saving now could serve you well down the road. And, as your income increases, the percentage you save can as well.