Rodger on Retirement

Your Financial Fortress

You must pay yourself first by depositing a portion of every dollar earned into your "Financial Fortress." Start with 3 cents of each dollar earned and work your way up to 15 cents. Imagine that you had a 40-year career, and you saved nothing for retirement. You took wonderful vacations, lived in a big house with a fat mortgage, multiple cars in the driveway – each with a car loan. You always found something to spend money on. Your checking and savings accounts were like a roller coaster – up and down, up and down. You never took time to think through what your future retirement might look like. You never saved, invested, asked for advice, or saw a financial planner. Your future will depend almost entirely on social security benefits provided by a government that must continually borrow to pay its bills. This is a truly bleak scenario.

One survey conducted by the Employee Benefit Research Institute in 2014 revealed that approximately 64% of today's Americans reported that they had failed to save any money at all for retirement. They also reported that roughly 60% of us have less than $25,000 in retirement savings. Most Americans do not have savings and investments in place that would have supplemented what they anticipate they will receive from Social Security benefits. If you think these are frightening statistics, you are right. Americans are as unprepared for retirement as we were at Pearl Harbor on December 7, 1941. We had no way of knowing the disaster at our doorstep.

The only sane way this can be changed is to *change your behavior*. Consider for a moment if *lifestyle* was not the number one concern. In his book "The Random Walk Guide to Investing," Burton Malkiel writes, "The amount of capital you start with is not nearly as important as getting started early. Procrastination is the natural assassin of opportunity. Every year you put off investing makes your ultimate retirement goals more difficult to achieve."

Imagine if you had started to invest funds from paychecks starting with your very first real job. Suppose you placed 3 cents of each dollar earned in a "Financial Fortress Account" that compounded for decades. You learned how to survive on 97 cents of each dollar earned, 96 cents, 95 cents and so on. You invested in tax-advantaged retirement accounts such as 401(k) plans and an IRA account. You invested those funds for capital growth, knowing it would have decades to grow. Over time, you learn how to live on 90 cents, and finally 85 cents, of each dollar earned. The potential growth over decades is staggering! The value of time is what is at work here.

Consider if your child were to place $5,000 in a ROTH IRA when they are 20 years old. If the funds were to compound at 8% per year until your child reached age 65, the value will have grown to just under $180,000. Odds are that 20-year-olds are not reading this report. You may have a lot less than 45 years to compound your money, but there are still strategies you can use to put time and compounding on your side. Your financial fortress may include your 401(k) and IRA accounts, as well as investment accounts where you make deposits, *but absolutely NO withdrawals.*

*The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Keep in mind that there is no assurance that any strategy will ultimately be successful or profitable nor protect against a loss.