

Consider the Idea of a "Buddy System" for Retirement Planning

Remember when you learned to swim, you would be assigned a "buddy" who would look out for you and make sure you didn't get into trouble or drown? Well, let's extend this concept a bit. Why not arrange with a friend to *check in* periodically, say, every Friday afternoon? Try spending 20 minutes on the phone so you can relate all the things you did right, and all the things you screwed up, for the past week. Share with him or her how much of your "to do" list you actually got done. Be sure to tell your buddy how you plan to correct your mistakes and improve your performance next week.

Your "buddy" will essentially be the person who can hold you accountable to your goals—which you should definitely put in writing. He or she will also have the opportunity for you to be their sounding board as well. You will be helping each other. The main idea here is to improve your financial behavior week after week, month after month. Most likely you will not want to share with your buddy that you spent \$38 on coffee drinks for the week. Imagine your buddy calling you out on your coffee spending, lecturing you that, if you placed \$150 monthly in an account left to compound at 6% annually for the next 12 years, you would have a little more than \$30,000 to add to your wealth. You might respond with "Where did you come up with \$150 per month?" Your buddy will clue you in that that's the amount of money you are spending each month on coffee!

If you have someone with whom you have to check in, you are more likely to stick to your plan, rather than have to explain that you fell flat on your face! This is the nature of accountability and is all about personal responsibility. *If it's to be, it's up to me* sums it up quite well. Unfortunately, mom and dad are not here to make sure you get this done. Taking responsibility means continuously working to build your retirement savings balances so that you will have the freedom of choosing your desired retirement lifestyle, whatever that lifestyle may be.

Let's take a look at how you should formulate one of your primary written goals. First, request your Social Security annual statement. This report contains a record of your earnings and projections of your retirement income provided by the government. Visit the Social Security Administration website at SSA.GOV and search for *My Social Security*. Next, determine what your annual income gap is in retirement—i.e., the gap between what Social Security might provide and the amount of annual retirement income you would like. For example, suppose Social Security will provide \$24,000 per year of the \$53,000 you desire. You have a gap of \$29,000 annually. Congratulations—you may be shocked, but at least you now have a goal! Now, write it down and make it real. You cannot deal with a problem that's a "maybe" and might not actually exist. Finally, since the problem has just become real for you, *determine if and how you can solve it yourself*. Don't work yourself to death; recognize that it may be time to bring in some financial planning assistance. And, regardless, this goal should be one which you share with your buddy—at least in concept, even if you don't wish to divulge the specific dollar gap.

*Opinions expressed are those of Rodger Alan Friedman. All opinions are as of this date and are subject to change without notice. The example provided is hypothetical and has been included for illustrative purposes only. This example is not intended to reflect the actual performance of any particular security. Future investment performance cannot be guaranteed and investment yields will fluctuate with market conditions.