Retirement: There's no App for that

I continue to be amazed how the vitally important things in our lives take a back seat to the ridiculously unimportant.

At a recent gathering, I observed 2 couples, all with new I phones in hand comparing how cute their emojis were. For those readers who are at a loss to understand the last sentence, let me explain. Emojis are those cute little symbols and images that people attach to text messages and e -mails. They spent the better part of 40 minutes showing each other how to download these new images onto their phones so that they can send delightfully cute messages.

I overheard how one just purchased her new phone at a big box electronic store and "only pays" $35.42 per month. She sheepishly admitted that the charges continued for 24 months, and the choice was between funding her IRA and buying the phone. Now, I don't pretend to be a math whiz, nor a mathematical genius. But the last time I multiplied $35.42 by 24, I arrived at slightly more than $850. That is $850 for a new phone so that she could send cute text messages and pictures featuring the latest emojis. Evidently, her old phone was not up to the task.

Too bad there is no app to tell her that maintaining this kind of spending pattern on frivolous items will likely severely damage any hope of a truly financially secure retirement. One of the most important aspects of investing for a secure future retirement is to invest early. This means that the more time funds are left to grow and compound, the better. The time value of money is vitally important. By delaying investments in favor of spending on the here and now, less money is available to grow for the future.

Here is a compelling example of the true power of deciding to save early:
$3,000 annually for the next 10 years. Barbara is earning 8% per year on her investment. She stops investing after 10 years at age 30.

Jonathan is very different than Barbara. He loves purchasing new things and never tires of buying the latest gadget. He decides to delay saving for retirement until he is age 30. Like Barbara, he invests $3,000 per year. However, he does this for 30 years.
He is also earning an 8% return. At the end of 30 years, Jonathan stops contributing.

At age 60, Barbara's retirement account balance is approximately $472,000. Remember, she invested only $30,000 and than stopped. Meanwhile, Jonathan's retirement account balance grew to roughly $367,000 after investing $90,000 over 30 years. As you see, time matters. Would you rather emulate Barbara as a retirement investor or Jonathan? Barbara invested 1/3 of what Jonathan invested yet ended up with over $100,000 additional dollars. In closing, my hope is that you don't spend $700 or $800 on a new phone and that you make intelligent decisions to fund your future retirement. By all means, seek the assistance of qualified retirement professionals to help you make the best decisions possible.

Rodger Alan Friedman has over 3 decades of experience designing and managing retirement portfolios and advising clients on retirement matters. For additional information and a free special report on preparing for retirement, please call 1-844-3-MY-PLAN or visit my website:
www.RodgeronRetirement.com

**The example provided is hypothetical and has been included for illustrative purposes only. The figures presented are not intended to reflect the performance of any particular security. Future investment performance cannot be guaranteed and investment yields will fluctuate with market conditions. Actual investor results will vary. Investing involves risk, investor may incur a profit or loss regardless of the strategy or strategies employed.*