

Rodger on Retirement

4 questions you face saving for retirement

As you consider what steps you need to take to prepare for your retirement, odds are that you will be faced with endless questions, and initially few real answers. You will chat with friends and colleagues that may be as misguided as you. Worse yet, you may take their advice to heart and start off on the wrong road to retirement investing. You might ask, "Will I face these problems?" There's a good chance, you will. So here is a primer to help you get your thinking cap on. Mind you, there are many more problems you will face, but let's just start with 4, feel free to add to the list later.

1. When should I begin saving for retirement?
2. What kind of investments should I choose to invest in?
3. Should I attempt this on my own or seek help?
4. What do I need to know to be a better investor?

I suggest you *begin saving for retirement* tomorrow. I will give you this evening to think it over. If I were granted a do over, I would have begun in my early 20's. Consider that a 25 year old could save and invest for 40 years or more to grow assets in preparation for retirement. I suppose we can go back and forth on this all day, but what I want you to take away from this discussion is to begin as soon as humanly possible. The reason is that the amount of money you will need to support yourself when your paychecks have stopped is truly staggering. Imagine you wanted an income of \$65,000 per year when retired. Is that \$65,000 after tax, or pre tax? What about inflation? You will need to generate an ever-higher income each year to combat the effects of inflation. If you think you can deal with this later and just wing it, you may be sadly mistaken. Don't think for a minute that Social Security payments alone will meet all your needs and allow you to live well for a possible 3-decade retirement.

The *kinds of investments* you may focus on for your retirement savings will differ depending on how much time you have before you stop working and your ability to deal with risk and uncertainty. A time horizon of 15 or more years opens up a wide range of growth-oriented alternatives that you may invest in. The longer you have to compound your money the more you may consider growth-oriented investments.

I recall a mentor years ago that recommended a near 100% allocation to a diversified common stock portfolio to fund his retirement. His reasoning was that based on historical market returns, he was willing to accept a high degree of uncertainty now, in return for the potential that his invested dollars would grow at higher rates of return over time.

However, if you have a few short years before your paychecks end, your choices may be somewhat more limited. You might consider more conservative shorter-term investments as you do not have time on your side to make up any losses you might incur. As a general rule, the longer you have to contribute and compound your money, the more investment risk you may be willing to accept. The reason is that you may have more time to ride out the ups and downs of markets. In addition, whether you ultimately choose to invest in stocks, bonds, real estate, mutual funds, annuities, shopping centers or Laundromats, consider that you most likely would want to buy assets that have been marked down in price as opposed to more expensive assets that have been marked up in price. If you have a longer time horizon, you have the opportunity of purchasing lower priced assets with the expectation that over a long period of time they would gain in value.

Should I attempt this on my own or should I seek help? This may prove to be the most important question you ask yourself. How you answer this may determine whether you succeed or fail in accumulating the necessary amount of money to fund a lifestyle sustaining income in retirement.

Consider for a moment when you seek professional help for common everyday occurrences. Do you do your own engine repair when your car breaks down? Do you self diagnose your need for a root canal? Do you set your child's broken leg when they slide into first base during the school baseball game? I think you can see where I am going with this. If you need a little more of a push, than answer this question. Who do you know that would hire you to plan their investment strategy for a possible 30 -year retirement?

We could all use coaching in areas where we lack expertise. The biggest reason being, we do not know what we don't know. I would rather have an experienced guide to help me navigate uncharted territory where I am an over eager amateur. In my experience I have found that I obtain a better outcome with guidance than pursuing answers on my own. Look to work with experienced professionals who possess a minimum of 10 years working with people like you and credentials in the area of personal financial planning. I often advise individuals to search for those who hold the following certifications:

CERTIFIED FINANCIAL PLANNER™ or CFP®
Chartered Retirement Planning CounselorSM or CRPC®
Personal Financial Specialist or PFS

This brings us to the fourth and final problem many of us face: *What do I need to know to be a better investor?* Among the first things you should consider is to increase your knowledge of investments. There are a number of resources that would be helpful in securing at least a baseline of knowledge. You will want to acquaint yourself with common types of investments, such as stocks, bonds, CD's, and mutual funds. But I would not limit myself to only "paper assets". You may also wish to learn about owning rental real estate, commercial buildings as well as small businesses. By all means, take advantage of both book learning, as well as working

with professional retirement advisors. Here are some great books for you to start with:

- Simple Wealth, Inevitable Wealth by Nick Murray
- The ROTH Revolution by James Lange
- The Little Book That Still Saves Your Assets by David Darst
- Are You a Stock or a Bond? By Moshe A. Milevsky, PH.D.

If this article made you stop and consider if you are on the right track, or any track at all to eventually arrive at a financially secure retirement than I have achieved my purpose in writing it. I wish for you a long life filled with great joy and financial abundance. May you accumulate more assets than you will ever need so you can pass on what you do not use to future generations of your family.

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:

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