

Rodger on Retirement

Why create a financial plan?

Begin comprehensive planning a minimum 10 years before you plan to retire by having a written financial plan and start to proactively execute the strategies. You can begin saving even without a plan. I started contributing to an IRA account when I was 24 years old. I deposited \$600 although the maximum allowable amount was \$2,000, because I did not have \$700. I realized the immense power of compounded growth over a multi-decade horizon. I did not map out the particulars of my retirement, I just started contributing dollars.

However, when you are 10 to 12 years from the day your paycheck stops, you need to become really serious about the subject. This is the time to bring in retirement professionals who create comprehensive retirement plans for people like you. I do not mean to look for a “geologist” retirement planner, or a “dry cleaning” retirement planner. Rather someone who has considerable, if not extensive, experience in working with families of similar economic means, with kids, where a legacy strategy may be involved, or families with long lived family trees. Perhaps someone who works with the LGBT community or special needs planning. During my 30 plus years of working with retirement-minded folks, I have found that people generally succeed when they have a track to run on. A well-conceived plan created for you personally may provide you with greater confidence rather than five bullet points found on page 167 of some monthly financial magazine. Yet, the average American seeks the advice of these publications on a daily basis.

A comprehensive financial plan is best designed by sitting down with a financial professional. This person will become a necessary and relevant part of your financial life. A written financial plan begins with you and your spouse, or partner, creating a budget. There must be an awareness of what your spending patterns are. How can anyone plan for a retirement if they do not know how much they spend? Do you bowl four nights a week? Include it. Do you take two vacations each year? Include it. Eat out frequently, make charitable contributions, assist family members, pay club memberships, and buy a new car every five years? Include it. Don't forget insurance premiums, utilities, and cell phone and cable bills. Be as comprehensive as possible.

Next, you must share with your financial planner exactly what your vision is for retirement. Does it include extensive travel, assisting with the education of grandchildren, moving out of state, or downsizing from your current home? Perhaps joining a tennis club, studying abroad, or teaching part time at the local college? Sit down with your spouse or partner and imagine what your weeks would look like. What activities would you engage in? Where would you go? What would your hobbies be?

Start with a blank sheet of paper and list all the activities that you think would make up a normal month. Don't edit yourself yet – just allow your mind to consider all the possibilities. You can bring yourself back down to Earth later.