

Rodger on Retirement

Is a \$100,000 annual retirement income possible?

I was speaking with a college friend last week and he mused that it would be really nice if he and his wife could retire with \$100,000 of combined annual income. I asked if he was serious about it or just thought it would be a neat idea. He answered, that he was very serious about it, but hadn't a clue how to make it happen.

I told him that over decades of counseling and advising hundreds of clients in preparing for retirement, a significant number of them were able to reach "The \$100,000 Club." I told him it took a lot of focus, planning, determination and willingness. I further explained that the great majority of Americans would never join the club. Looking him straight in the eye, I explained that in this country, there are no locked doors, no plush ropes barring the door, no 240-pound bouncers standing guard allowing only the gilded few to enter. The door to the "\$100,000 Club" is open for all who want to enter. The price is high, which is why so many fail to walk through the unlocked door.

I went on to explain that through a combination of Social Security payments, IRA accounts, 401(k) plans, dividend income, and perhaps some rental income, it is a very achievable outcome. However, you will rarely get a wonderful outcome that you did not plan for. At this point, he was very intrigued. He mentioned that he and his wife had an IRA, a 401(k) plan, and a trading account at a discount brokerage. I asked him to give me more details and this is what he told me:

Rodger, Beth and I both contribute about 4% of our income to the employee plans at work, but I'm not sure if we are leaving some money on the table. We use the bond and money market investments funds for safety, but they don't earn much. The plans are just too complicated. When I call the HR department, they put you on hold for 30 minutes. I'm not a computer whiz and the websites are more confusing then 10th grade algebra. My dad always told me not to pay full commissions when buying stock, so I found a place that gives me 25 free trades a month. I really scored on that one! Anyway, I trade some stocks and have about \$85K in three biotech companies. I'm pretty sure they will double. Oh, and I bought some raw land in Idaho. I heard that there would be some major development right in the path of where I bought. We took out a second mortgage to buy the land, but that baby will land us some major coin!

I looked at my friend and said, "Ted, nearly everything you told me is a giant red flag for effective and efficient retirement planning. Unless you make some very substantive changes, you don't stand a chance of joining 'The \$100,000 Club'."

My recommendation is to fire the amateur in charge of your retirement and to ask for professional help in structuring your planning and investments. Twenty-five free trades per month will not gain you admission to "The \$100,000 Club."

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