



How to Destroy Your Financial Future

By Ryan Zacharczyk, CFP, CSA, CRPC

Summer is finally here and many of us are looking forward to long-awaited vacations. You've probably planned yours for months ahead of time. But imagine this: It's your last day of work and you realize that not only have you not packed, but you also neglected to book a hotel or even find a flight. You wouldn't let this happen on your one-week vacation, so why do so many people let it happen for the longest vacation of their lives---their retirement?

We all know how the slightest procrastination can put a crimp in your daily life, but putting off retirement planning can have a costly impact on your future.

Let's say you begin to invest in your retirement plan at 25. You invest the same amount of money, \$5,000 a year, every year for 10 years. Then, at 35 you hit financial difficulties and never make a contribution again. Your total contribution was \$50,000. Your nest egg at the retirement age of 65 would have grown to \$1,007,874 assuming a 9% return. A remarkable return given the short time period of contribution. Let's now assume you wait until age 35 to begin this contribution. You contribute \$5,000 a year every year until retirement. Your total contribution is \$150,000, but your nest egg at 65 totals only \$681,537. Not a bad sum, but certainly significantly less than if you would have contributed earlier.

If you are older than 25 and haven't started saving for retirement yet, don't feel as though it is too late and do nothing. Procrastination is the silent killer of your financial future. The longer you wait, the more your quality of life diminishes exponentially. If you are 35 and you wait until age 45 to start saving for retirement, using the numbers above, you would now only have \$255,800. Begin saving now or, if you are saving, increase your savings now, whatever your age.

You need to start planning for retirement now as well. I have met many individuals who wait until a few years before retirement to put together a plan. They say the benefit of this is that they can work out a plan with a better idea of what their nest egg will be in retirement. However, the downside far outweighs any positive. With only a few years left until retirement, there is no time to make up for lost ground or change course if needed.

I once sat down with a couple in their early 60s who wanted to retire in the next two years. They were very concerned about being able to retire comfortably and with good reason. They had not saved enough to maintain the kind of lifestyle they desired. Unfortunately, there was not enough time to make up the difference. The couple had two choices: cut their standard of living in retirement or continue to work an additional three years past their desired retirement date. The hardest pill for them to swallow was that if they had established their plan 10 years earlier, they would have only needed to save an additional \$4,100 a year to reach their retirement goals.

If you don't want that scenario to happen to you, it is crucial to periodically review both your general finances and your retirement plan. A financial planner should help you review your general finances every year at least. Budgets, income statements, balance sheets, goals, and savings rates should be assessed annually to keep you focused and motivated. A retirement review can be done less frequently, depending on your age. I have developed the following system with my clients for reviewing retirement plans that works very well in almost all circumstances.

Continued on next page



How to Destroy Your Financial Future

Continued from previous page

Assuming you have plans to retire in your mid-60s, those 40 and under should have a thorough retirement plan review every three to five years. Determining how much you should save, how your money should be invested and for how long is critical. Once that is accomplished, let the plan work, giving it a few years to take affect before a review is needed. Rebalance annually, but review less frequently.

Individuals in their 40s should review their retirement plan every other year. These individuals still have 20-plus years until retirement and although a plan must be reviewed, it is not crucial that it be done every year.

Finally, those over 50 need to sit down with a Certified Financial Planner and review their plan annually. It is vital that as you approach retirement you understand your direction, goals, and how you're meeting those goals. An annual review with a professional financial planner will keep you focused and motivated. You will be able to make regular corrections when life throws you that inevitable curve ball.

Procrastination in saving and planning for retirement can greatly undermine your quality of life in retirement, and the dreams you hope to chase when you finally make it to retirement. Fortunately, the solution is simple. When saving, just remember to put away as much as you can as early as you can. In the case of planning, don't wait until you are near your destination to first pick up a road map. Plan your trip in advance. Determine first where you want to go, and then let a professional figure out the best way for you to get there. Don't forget to pick up the map during your travels to review your progress.

The cost of having a plan put together for you regularly is peanuts compared with the cost of missed opportunities or, worse, major mistakes that set you back years. Proper saving and planning techniques will have an astounding impact on your future, but you must start now.

Ryan Zacharczyk is President of Zynergy Financial Planning, LLC, a financial planning firm specializing in working with mature adults 50 years old and above. Zynergy provides comprehensive financial planning services for individuals 50 and older, helping them achieve their objectives in estate planning, investment management, tax minimization, and insurance planning.