# FINANCIAL FOOTNOTES

Retirement Planning Newsletter Summer 2017

Can you believe that we're nearly halfway through 2017, and 2018 is just around the corner? If you've met the goals you set for your finances, that's great. If you don't know how you're doing, now is a good time to find out. And if you're a little behind schedule, there is still enough time left in the year to make progress.

## SAVING

## Mid-Year Pivot Point

Did you set a goal this year to get your finances—and especially, your retirement—on track? If you did, you may have reached a point already when you began feeling overwhelmed. Don't give up! It's not too late to get back on the road toward retirement, by reassessing where you are now and taking positive steps toward where you want to be. Here are three actions to consider taking that can lead you in the right direction.

**First, set some goals.** Use a retirement calculator to figure out how much money you may need to enjoy retirement your way. That's your first goal. Then, determine how much you may need to save each month to get there. Finally, review your current savings rate and how much you've already saved against those goals. If you're doing well, you may consider setting the retirement bar a little higher. Or, if you aren't where you'd like to be, take further action. Read on!

**Second, be sure your goals are attainable.** If you've been contributing 1% to your plan, you may not be able to jump right to 15%. Instead, consider setting a reminder to increase your contributions by 2% every six months or yearly until you reach the level you desire. That way, you're less likely to feel the pinch in your paychecks, and you will build confidence in your ability to save.

### A Small Increase Can Make a Big Difference

This chart shows how just a small increase in your contribution level could mean thousands of dollars over time. All contribution amounts are based on a $30,000 annual salary.

| Contribution Increase | Savings After 10 Years | 20 Years | 30 Years |
|---|---|---|---|
| 1% ($25) | $5,099 | $17,863 | $47,775 |
| 2% ($50) | $10,180 | $37,048 | $102,289 |
| 3% ($75) | $15,270 | $55,571 | $153,433 |
| 4% ($100) | $20,360 | $74,095 | $204,578 |
| 5% ($125) | $25,451 | $92,619 | $255,723 |
| 6% ($150) | $30,541 | $111,143 | $306,867 |

Source: Kmotion, Inc. 2017. Assumes a hypothetical 8% annual rate of return.

**Third, be ready to make adjustments.** Birth, marriage, divorce, illness, the economy: Life happens, and when it does, adjustments to your retirement strategy may be necessary. In fact, even when everything is going along as expected, it's a great idea to review your goals and progress at least once a year. That way, you can be sure you're doing everything you can to set yourself up to retire on time and on budget.

EMPOWER RETIREMENT™

## INVESTING

# What Can a Financial Advisor Do For You?

Many people feel a little lost when they think about investing. Others enjoy the challenge and get a sense of satisfaction when they choose their investments. No matter where you are on that spectrum, you may benefit from working with an investment advisor.

### How can a financial advisor help you?

Remember, you don't know what you don't know. Among others, a financial advisor can provide insight in these key areas:

**Income and Saving.** Changing circumstances—like marriage, a baby, or a newly empty nest—may require a different financial approach.

**Higher Education.** College is expensive. An advisor can help you understand your options in paying for it.

**Estate Planning.** An advisor can help you prepare, minimizing taxes and maximizing what you leave behind for your loved ones.

Make sure you and the advisor you choose work well together. Ask about the approach the advisor takes to helping you meet your goals. How often does he or she expect to meet with you? Are there others on the team who can help you if your advisor is unavailable? These are among the questions to ask as you make your selection.

Be sure you understand the advisor's fees. Some charge a percentage of the assets they manage for you. Others are paid through commissions on investment products they sell. And some advisors charge hourly, flat rate, or on a retainer basis for their services. The Securities and Exchange Commission recommends that investors get a full explanation of the advisor's payment arrangements before entering into an agreement. You can learn about the background and experience of the advisor, broker, or firm you're considering at https://brokercheck.finra.org/, a free tool from FINRA, a securities regulator authorized by Congress.

## SPENDING

# Try a Budget Sneak Attack

You know the drill: budgeting means carrying around a little notebook for a month and being aware of every penny and pack of gum. It's true, there are a variety of complicated and labor-intensive methods you could use to figure out how much you can spend each month. We'd like to suggest a different course. How about launching a sneak attack?

It's sneaky because instead of tracking in the moment, you look at last month. We'll assume that you weren't thinking about making a budget then; you want to see how you're really spending money—when no one is watching or tracking.

Gather records of all your spending for the prior month: bank statements, credit cards, online accounts, everything. Don't forget about any cash you kept in your wallet, and your regular expenses, like rent, power and phone service. You will want paycheck stubs for the last month, too, because there you will find your benefit contributions.

With all of the month's records in hand, look at each expenditure, decide on a category for it, and record it on a spreadsheet. Some of the broad categories will be: groceries, entertainment, housing, utilities, and clothing. Be sure to include a category for saving, perhaps even breaking it into long-term saving like retirement contributions, and short-term saving for an emergency fund.

Finally, do both a high-level and a close-up review of the numbers. Compare your income to the amount you're spending. Then, see if there are any obvious areas where you could make some adjustments. Were you surprised to see how

much you spent on clothing last month? If you ordinarily spend little on clothes from month to month, it's probably not something to worry about. But if you overspend on your wardrobe every month, and if your income doesn't support that, you may need to rein in your spending in that category.

Even if you don't see any glaring issues, challenge yourself to make small cuts. At the end of the month, use any savings to beef up your emergency fund. When you've had a few months of practice living a more financially-conscious life, you may feel more confident that it's time to consider putting the extra money into your plan by increasing your retirement contributions.

If you go through this process every year, you may keep better control of your financial situation. Of course, it will be harder to sneak up on yourself each year, but don't let that stop you. Your efforts will be worth it.

## PROTECTING

# 3 Good Habits to Protect Your Finances

When life hands you lemons, your ability to make lemonade depends on whether or not you have sugar, water and a pitcher on hand. The right ingredients make all the difference.

The same is true when it comes to protecting the money you've worked so hard to save. Life's lemons can come in a variety of forms—such as an unexpected job loss, medical expense or a cross-country move. No matter which life event you face, you'll handle it better if you're financially prepared.

An unexpected need can tempt you to withdraw money from your retirement funds. Doing so can cost much more than the amount you take out. Not only will your retirement balance be lower, the amount you withdraw will no longer earn potential investment income—setting you back on your savings strategy. You may have to pay income tax on the withdrawal, and depending on your age, even an additional penalty tax. Finally, you risk spoiling the good habit you've built in saving regularly.

To help protect your retirement savings against unexpected challenges, consider building these three good financial habits:

**1. Keep control of your debt.** The sooner you pay off your debts, especially unsecured debts like credit cards, the better. If you must use a credit card, try to do your best to pay it off each month. Shop around for a card, read and understand the credit terms to which you're agreeing. If the terms are not to your liking, find a better card.

**2. Build an emergency fund.** Dad always said you should have money for a rainy day. It was good advice then, and it is now, too. By saving enough money to cover at least six months of living expenses, you'll have options if your water heater  goes out or you are laid off at work. Watch this video to learn more.

**3. Save enough in your plan.** If you've used a retirement calculator, you already know how much to save. Consider doing all you can to reach that goal, because the earlier you save, the longer your money has to potentially grow. If you haven't used a retirement calculator, now may be a good time.



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