

Don't rely on past to plan future

All ages must be proactive in preparing for retirement

By David Reagan

With all the gloom-and-doom talk about Social Security these days, a majority of Americans between ages 18 and 40 probably don't expect to retire on those checks like their parents or grandparents did, especially at the longtime "normal" age of 65.

Such an outlook might have been scoffed as cynicism a decade or two ago. But it has become a modern reality. Many U.S. residents worry a comfortable retirement will be unattainable. Confidence has dropped to record lows, according to this year's annual survey conducted



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by the Employee Benefit Research Institute.

The circumstances require considering some new techniques for building a nest egg without a Social Security safety net. Also involved are foresight and applying some mathematical operations in the form of long-term division. Let's say a 65-year-old man has saved \$100,000 and expects to enjoy at least the next decade away from the daily grind (since average life span for U.S. males is 75.8 years). That might sound like a large chunk. Then, when spreading it out, the man will see he put himself on a \$10,000 annual salary. It's difficult to get by on that.

A financial metaphor from the past was that of a three-legged stool, representing the retiree's wallet trifecta — Social Security, pension and personal savings. According to financial planner Karen Lee, this also is a far outdated saving theory.

The debate about whether the Social Security bank will be depleted matters very little, said Lee, also an author and frequent contributor to CNN and *Forbes* magazine. The next generation should plan for those benefits to account for, at most, 10 percent of their retirement budget. It was designed only to account for about 38 percent of one's budget in the first place.

Lee said, "It was never intended to be a person's full source of retirement, but interestingly our grandparents (who grew up in the Depression) are of a different time. They are OK living on this very small amount."

John Carey, financial planner at First United Bank in Durant, also lent his perspective.

"In the past years, we have become solely dependent upon Social Security as our only retirement option and have inflicted this demise upon ourselves. [Approximately] 78 million baby

boomers are coming into retirement soon, and a vast majority of them don't have money saved. People once retired at 60, now it's 80. Before long, they're gonna work until they die, which I guess they're OK with."

Both experts said the biggest change is an increase in the standard of living, rather than with Social Security.

"We have to have some gut-check moments in America about our spending and saving, and about what our true needs and wants really are," Carey said. "It's pretty frightening to me to think about the state that we're in."

The second hypothetical stool leg? It isn't just wobbling or weak. It's vanishing.

"Pensions are a thing of the past, especially for people in their 20s," Lee said. "More than half of people now in their 40s will not get anything from a pension."

It has disappeared from the

traditional workforce, except for the realm of public service to the government (such as a policeman, a teacher or a judge).

Now it comes down to that third leg. "Save as if your personal savings are 100 percent of what you will retire on," Lee said.

How could one ever hope for that? Well, she recommended saving 10 percent of every check for the retirement fund, even from a young age with a low-paying job.

"Sometimes it will hurt and you will feel like you can't do it," Lee said. "But if you can stick to that credo and not waver, you will not have to worry about retirement. You will have enough."

After college, many graduates start focusing on only paying off loans. OK, but Lee said never sacrifice saving to pay debts. Saving is like a bell curve. Even when the initial 10 percent amounts to very little, over time, the money will double and quadruple.

Then, save another 10 percent for emergency funds that can be turned into extra savings after reaching a comfortable number, equal to six to 12 months of unemployed living expenses.

Next, take advantage of 401(k)

benefits at work, if possible, because any matched amounts are free money. Due to recent changes in the economy, during the past 12 months, 20 percent of workers actually have stopped putting money into a 401(k), according to Lee. But she said this is the time to be unwavering in a long-term commitment.

Combined wealth in stocks, bonds and other investments also falls under the personal-savings category. Although "investment" sounds intimidating to many, Lee does not believe it takes a genius to work with stocks and bonds.

"It is not rocket science, and you can learn what you need to learn through a financial adviser, college classes, books or go on the Internet to mutual-fund houses to read their information."

It's not too late for people in their 30s or 40s who haven't saved or invested.

"If you have 10 years, you can make money," Lee said. "I learned it's not about how much you make, it's about how much you save. That's how I came to be a millionaire by the age of 37."

The key is constantly investing an appropriate amount throughout a period of time so it can grow exponentially.

Married couples often have the

hardest time with retirement plans. The likely culprit? A lack of joint agreement about strictly saving money. Those with children, Lee said, want to give them non-essential, expensive things, better than they had during their childhood. Usually, one partner becomes the money manager, and frustrations are a consequence of that arrangement.

Such stress can be a marriage's demise. According to a survey conducted by Citibank, 57 percent of divorced couples in the United States cited financial problems as the primary reason.

Communication is a must. Realize that everybody has been brought up to deal with money in different ways, and people's view of what's most worth their money varies greatly. Lee advised having a sit-down as early as possible in a marriage or joint-fund relationship. Even if it's uncomfortable, a middle ground must be approached with budgeting, committing to the spending and saving.

Regardless of age or marital status, the best way to get advice is to talk to a financial planner. Jim Carey can be reached at (580) 924-1226, or dial First United's main line, (580) 924-2211.

Karen Lee's book — "It's Just Money,



Karen Lee

Why Does It Cause So Many Problems?" — she covers these topics and more using examples, stories and practical planning guidelines. It is available online at karenleeandassociates.com or Amazon.com.

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