LEAD IN:
Coming up in “focus on your finances” Certified Financial Planner Rick Van Der Noord reviews some of the basics of retirement planning.

SEGMENT:
Good morning and welcome to “Focus on Your Finances. What we define as retirement has changed since the days when my parents retired. But although the definition of the word might change with the years, the timeless truth remains that we all want to be happy. Another timeless truth is that you either work for your money or your money works for you. For most of us, retirement will occur, not at a specific age, but at a specific time when our money works for us.

So what are some of the concerns we all face?

First, research conducted by the Lincoln Long Life Institute indicates that a typical retirement could actually last up to 30 years. This means that many of us will be retired longer than we worked.

Second, contrary to what we used to be told, 90% of retirees surveyed found that their expenses stayed the same or even increased after they retired.

Finally, the Annual Retirement Confidence Survey found that almost half of a retired person’s income comes from Social Security with the next largest percentage of income coming from your employer sponsored retirement plan. It is quite likely that the balance in your 401-k plan could mean the difference between just getting by and really enjoying your retirement years.

A 401-k plan is a good retirement savings vehicle for a number of reasons
First – Because of payroll deductions, a 401-k plan offers a very convenient and disciplined way to save.
Second – A 401-k plan contains many tax advantages that allow you to accumulate money faster than if you were saving on your own.
Third- Many Americans would not otherwise be able to have access to the level of professional money management that is offered in a 401-k
Fourth – Unlike a pension plan, a 401-k plan gives you complete ownership and control over your funds. Your account assets are yours and they do not belong to your employer. But with this control, comes much responsibility. Whether or not you participate; to what extent you participate and how you invest your money is all your own responsibility.

Another important fact about retirement planning that is that the earlier you start to save the better. Between the benefits of tax deferral and compound interest, you can stop working for your money and have a lot more money working for you a lot quicker the earlier you begin saving. You can never make us for lost time, but if you have wasted some years, don’t despair. An ancient Japanese philosopher once said that the two best times to plant a tree are twenty years ago and today.

Finally, No discussion of basic retirement planning principles would be complete without a discussion of diversification. Diversification is not a magic formula nor is it a guarantee against loss, but there are generally accepted investment principles you can follow that are proven to maximize returns and reduce the risk of loss.

I learned in military school that prior planning prevents poor performance. This is also good advice when it comes to planning for retirement. You have heard me say this before, but planning does not cost. Planning pays.

THE VOICE: To have your questions answered on the air or to get more information about any financial planning topic, send an e-mail to focusonyourfinances@WBSC.com.