

Talk of the Town

Retirement Planning 101



James D. Stillman

Happy New Year! We hope everyone had a wonderful holiday season and had the opportunity to spend time with family and friends. We took a little time off ourselves after another busy year, but now it's back to our passion of helping folks plan for retirement. I'd also like to start off with a big "Thank You" to all the folks that have contacted us after reading these articles over the last five years. It's always nice to know that we're making a difference, and it continues to drive our passion for retirement planning.

So, I thought I'd start out the year with a very simple concept that I've used for almost twenty years. We have discussed this concept many times before, because it's important for anybody thinking about their financial well-being to grasp

and basically gives you an idea of how you should be planning over the course of your lifetime. We like to call it "Retirement Planning 101" or "The Three Phases of Financial Planning".

Here are the three phases of financial planning for retirement and I'll keep it simple:

- 1) **Asset Accumulation** (Ages 20 – 50): Since pensions are becoming a thing of the past, you need to accumulate assets on your own to replace a pension, which is basically nothing more than income for retirement. This is where you can contribute to a 401k, IRA, 403B, Roth, etc. The investments should be in equity-based strategies such as stock, bonds, and mutual funds in an attempt to attain long term growth by dollar cost averaging over time. Yes, there is risk when doing this since markets move up and down, but over a long period of time markets have always trended up, so you don't have to worry too much about this when you have time on your side. *Your primary goal in this phase is to accumulate a nest egg that can be used to generate income in retirement.*
- 2) **Preservation** (Ages 50-65): Once you get closer to retirement, preservation of assets should start to take on more importance. At that point, you simply can't afford to take on as much risk, because you don't have as much time to make up losses. You don't want to be a year or two away from retirement and have another 2008 happen, do you? You should start getting safer by using more bonds, annuities, and other savings type strategies. Probably a 50/50 split or so is a good place to start when it comes to safe vs. risk in your overall portfolio, but everybody is a little different. *Your primary goal in this phase is to not lose a big chunk of the money you've worked for years to accumulate by continuing to take too much risk.*

- 3) **Distribution** (Ages 65+): In most cases, retirement planning is a focus on income planning. Annuities, bonds, master limited partnerships, dividend paying stocks, etc. Safe(r) income producing strategies are key, but a proper blend is extremely important! You need to lay it all out and see what your situation looks like as a whole, not just piece by piece, so you can decide what areas might need some work. Be sure you have a solid "roadmap" for your retirement journey. *Your primary goals in this phase are supporting your lifestyle through retirement and planning your legacy.*

Here's one very important factor for all of our readers to understand when it comes to planning for retirement - **THE SOONER YOU START, THE BETTER OFF YOU'LL BE!** Remember, time can be your best friend or your worst enemy. A very good rule of thumb is to "pay yourself first". No matter how much or how little, over time it really adds up, and if you don't see it, then you won't spend it! If you want to have a successful retirement, then you should make saving for retirement a priority. Don't sabotage yourself by procrastinating. Another thing to keep in mind – make sure you're working with the right advisor, especially when you get to later phases. Planning for a successful retirement takes a different set of skills and tools than most advisors are equipped with, so be careful whose advice you listen to when it comes to retirement planning.

Be sure to tune in to "The Safe Harbor Retirement Planning Show" every Saturday at 10am and Wednesday at 8am on WSIC AM 1400 & FM 100.7. Also, feel free to check out our website for a ton of information, lists of our free reports, our uploaded radio shows, to request copy of my book "Finding Safe Harbor in Retirement" or a free consultation, or to sign up for any of our upcoming seminars.

And, as always, remember: The purpose of the money dictates where you put it!

Until next month,

James D. Stillman

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