

Avoid Major Retirement Pitfalls

Don't Bury Your Head in the Sand

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People like to avoid the conversation of retirement. It's a moment for many to become a real-life ostrich and bury their heads firmly in the sand. Why? A lot of people think that retirement planning is having a conversation that focuses on the end of your life so they want to ignore it. However, we completely disagree with that thought process and believe that discussing retirement planning is about how to best *enjoy* your life. To do that, there are certain conversations and issues you need to tackle to ensure your retirement plans aren't derailed by common pitfalls.

Retirement pitfall #1: I don't want to talk about it

The first hurdle to get over is having a dialogue with your partner and talking about retirement. I think the reason a lot of people don't have this conversation is because they don't know where to start, but we can provide the roadmap to help you figure out how to have a successful conversation on retirement with your partner.

Many get hung up on picking an age to retire. Their question is *when should I retire?* But, that's not at all where you start. You start with *what does retirement look like for me?* Some have the expectation that retirement means to work less. A different person may have the conception that retirement means never stepping foot in an office again. Retirement may mean getting that dream job or doing work with a charity where salary is secondary. Starting at this point, you can begin to talk about how things are going to evolve as a family. You can start this planning process once the end of the plan starts to come together.

Retirement pitfall #2: Money comes in, money goes out

People aren't looking at their own income versus their expenses on an annual basis and trying to determine how much they can save every year. What we find most common is that people will spend a lot of time worrying about how much they make, or working hard to get that promotion, raise or bonus. Those are all noble financial objectives, but if you don't put into context the expenses versus the income, then it's hard to know each year where you stand financially. You can avoid a huge retirement pitfall if you can establish how much you want to save every year after really getting a deep understanding of money coming in the door versus money leaving the door.

Retirement pitfall #3: You work hard for the money

But is your money working as hard for you? We believe that everybody should either have their own investment philosophy or know the investment philosophy of their financial adviser. If you don't have your own particular strategy or don't know what your investment professionals are doing with your money, then you may be missing an extremely vital element to the long-term success of achieving your retirement objectives. It's critically important to earn the best and most responsible rate of return for your investments. For example – if you have a million dollar portfolio, what's the difference between earning a 6% return versus an 8% return over 20 years?

| Years | 6% Per Year | 8% Per Year |
|-------|--------------|--------------|
| 5 | \$59,753.18 | \$63,359.29 |
| 10 | \$139,716.42 | \$156,454.87 |
| 15 | \$246,725.28 | \$293,242.83 |
| 20 | \$389,927.26 | \$494,229.21 |
| 25 | \$581,563.82 | \$789,544.15 |

So, earning just 2% more over 25 years means more than \$200,000! Hopefully this illustration serves as a wake up call for everyone to pay attention to what they are earning.

Retirement pitfall #4: Plan, execute, ignore

Not checking in on your plan on an annual basis is a major pitfall. The parts of the retirement planning process highlighted in this article can all change over time. Your dreams change and evolve. Your expenses and income change over time. Your ability to save will change with family circumstances. It's imperative that you revisit these objectives and tasks every year to make sure that you're on track. You're also going to want to make sure that your portfolio is growing and accumulating in a way that it should.

Conclusion: Age is just a number

If you're looking for the right age to retire when you should be having these conversations, you're going to miss out. Planning for your retirement is as unique and personal as your own retina scan or fingerprint. Since everyone has a unique situation, it's impossible to answer blanket statements of when to start this process. What we do suggest – planning early is better than planning later. Saving early and giving your finances time to grow makes it better as well.

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