Does Your Financial Plan Belong in a Cartoon?

Article Rating: NA

Submitted by: articlediner on 2006-10-02 and viewed 25 times.

Total Word Count: 799

Author Rating:

Sample of Content:

Are you someone who kids yourself into believing you just wonâ€™t retire? That youâ€™ll just zip around and keep chasing your earnings for the rest of your life? (As unappealing as working forever may sound, add this to your reasons not to follow that plan: According to Robert Nestor, principal of retiree services with Vanguard Group, about half of recent retirees left the workforce early because of poor health, buyouts or layoffs.

Content:

Beep beep! When you were a kid, didnâ€™t you love those cartoons? You know, the ones where the luckless coyote would chase the speedy little bird? Road Runner always got away, and Wile E. Coyote always got pulverived.

I donâ€™t know about you, but I often felt sorry for poor Wile E. Coyote and his ill-fated Acme contraptions. After all, he worked hard and always followed directions. But in the end, he inevitably ended up crushed by the ineptitude of his own plan.

The same thing happens to investors, even affluent investors. After sweating bullets by working hard, saving and investing, they often fail to reach their financial goals and get clobbered by their poor planning.

Are you someone who kids yourself into believing you just wonâ€™t retire? That youâ€™ll just zip around and keep chasing your earnings for the rest of your life? (As unappealing as working forever may sound, add this to your reasons not to follow that plan: According to Robert Nestor, principal of retiree services with Vanguard Group, about half of recent retirees left the workforce early because of poor health, buyouts or layoffs. Even if you want to or need to, you may not be able to continue working.) This delusion is a little like the moment when Wile E. hangs in mid-air before plummeting to the bottom of a ravine.

My advice: Either get it together now, or face the bitter option of moving in with the kids and dining on Alpo for your retirement cuisine.

So what can you do now?

First, get a clear understanding of how much money you need to support your lifestyle. And donâ€™t give me any fancy footwork here. Donâ€™t guesstimate your monthly spending. Come up with the real number.

Itâ€™s easy to find out, too. Just dig out your last 24 bank statements. Each statement will summarize the total of the amounts you withdrew from the account. This is the amount you spend monthly. Since the numbers will vary month to month, add the total for the 24 months and divide by 24. This will be the amount you spend every month on average. Higher than you thought, right?

And donâ€™t tell me that youâ€™ll spend less when you retire. Itâ€™s not true. When you retire, youâ€™ll have nothing but time on your hands. How do you think youâ€™ll spend that time? By spending money, of course! Youâ€™ll travel and youâ€™ll go out to eat more often. My friend, donâ€™t assume youâ€™ll be spending less. If anything, assume youâ€™ll spend more money once you retire.

Letâ€™s turn to income. Please understand that a reasonable and sustainable withdrawal rate from your investments is four to five percent adjusted for inflation. That means if you have $1 million invested, you can safely withdraw $40,000 per year. Take that figure, add your social security and other passive retirement pension income to determine what your reasonable income is going to be.

Your next step is to Google â€œretirement planning calculatorâ€• so you can find a variety of online free calculators. Input the information you calculated from the two prior steps to determine if you are on track. If not, here are two tips that can help fix your plan:

1.Just because you can tap into your IRA accounts at age 59-1/2 doesnâ€™t mean you have to. Chances are, youâ€™re going to live a lot longer than you think. Itâ€™s not unusual for folks to live into their nineties and beyond. If you delay taping your retirement accounts, you give them a greater opportunity to grow, and you reduce the time they have to produce income for you. Itâ€™s a double win!

2.Use a defensive strategy when it comes to investing. Realize what Wile E. Coyote never seemed to: What goes up must come down. According to 60 years of research, a bear market comes along every 3.3 years and the average loss exceeds 27 percent. It wonâ€™t take many of these bear markets to get you off the golf course and on to the Costco welcome mat! Take defensive action to avoid catastrophic loss! I wrote a great deal about this in my latest book, â€œWhy Smart People Lose A Fortune,â€• but if you want my white paper summarizing how you can potentially protect yourself against catastrophic loss, email me at neal@wealthresourcesgroup.com.

Donâ€™t get surprised by some fatal flaw in your financial planning. Take these steps now to dodge the boulder that may hang overhead.

Neal Frankle is the author of Why Smart People Lose a Fortune: 5 Steps to Restoring Your Wealth and Sanity. He helps affluent clients establish and implement a safety-net strategy to protect their wealth. He also helps other professionals, such as CPAs, to do the same thing for their clients. To contact him, send email to Neal@WealthResourcesGroup.com.

Neal Frankle(818) 621-2556 (mobile)(818) 716-3100 (office)**neal@wealthresourcesgroup.com**

Article Source: http://www.ArticleDiner.com/

About the Author:

Neal Frankle