

## Pearls of Wisdom<sup>®</sup> ... The Shifting of Priorities

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The spending habits in this country have been shifting over the last few decades in a dangerous direction. We spend more money on the "extras" than ever before. A million dollars doesn't last as long as it use to and therefore we have to plan better for our future. Have you ever wondered how much you actually need for retirement based on how much you spend today?

Financial Service Professionals are able to help you determine the amount needed.

### Example:

Current Age 35 Retirement Age 65 Yearly Income Today \$100,000 Assumed Inflation Rate 3%

20 Year Retirement Duration – to age 85 Need \$2,806,398 –assumed annual rate of return 10%

30 Year Retirement Duration– to age 95 Need \$3,299,880 – –assumed annual rate of return 10%

A common question asked is how can I save that much money? Looking at just a few trends in today's society that we have become so accustomed to, you could really find ways to save. If we looked at the following items; bottled water, cups of coffee and gas cost for an SUV, we can find thousands of dollars to save. The dollars spent are shocking. The idea is if we stopped spending money on these items and invested it instead at a 6% hypothetical annual rate of return what would you have saved over 10 years?

Bottled Water - \$1.25 average cost per bottle, 5 days a week

Savings \$ 4,283

Cups of Coffee – Spending \$3 on coffee and/or snacks 250 days of the years.

Savings \$9,061

Gas Cost for an SUV vs. Fuel Efficient Car – Assume current gas prices at \$2.99, 30 miles commute to work one way (so 60 miles round trip), and 250 work days a year.

Savings \$33,508.68

TOTAL: \$46,852 (adding the savings of bottled water, cups of coffee and gas cost of SUV together over 10 years)

These items are just examples but the idea is to understand the importance of saving for retirement. We have all heard the phrase "pay yourself first." By putting money into a regular monthly savings plan, you are paying yourself first and doing some much for your future. Anything from a 401(k)/Individual Retirement Account (IRA) to a saving account is fine. Just get started today. For non-working spouse,

there are spousal IRAs you can contribute to as well. Most plans start as little at \$50 a month. Everyone needs to prepare for retirement, don't put it off because you think you don't have enough experience or because you don't understand finances. Remember that everyone has retirement dreams and it is our job to help you get there.

(Sources of calculators: <http://www.hughchou.org/calc/>; Gas Guzzler, Break the Starbucks Habit, Booze/Beverage saving calculator, Wealth Calculator 6/15/2007)

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