Communication Corner Newsletter - February 2015

Hey, Do I Know You?

One of the biggest challenges that we find in encouraging 401(k) participants just like you to increase their deferral contributions or to start contributing is that the needs and desires of "today's self" far outweigh the needs of your "future self". To explain, it is much easier to treat yourself to a latte or the newest iPhone as soon as your "today self" wants it, but it is much harder to envision what your "future self" may need 10 years or more in the future. Here are some tips to make sure your "today self" is preparing to take care of your "future self".

Paint a Picture of the Future

OK, so we don't mean that you literally have to get out your paints and brushes, but we would encourage you to write down what you would like your retirement to look like. Do you want to buy an RV and travel the country, volunteer with a local organization, move to the city or country of your dreams, or do you simply want settle down and tend your garden? It is also key to keep in mind what your potential outflows will be. Will your house be paid off? Will you want a new car every 3 years? By putting your goals and aspirations on paper, you will be more likely to remember them when tempted to make that next impulse purchase.

Plan for an Achievable Number

A goal without a plan is just a wish. Case in point, the 2013 BlackRock Annual Retirement Survey shed light on this very fact by uncovering that 45% of respondents said they were not saving enough because they did not know how much they would need while 77% of respondents said they would increase their savings effort if they knew how much they would need to save now in order to achieve a per dollar goal of income replacement needed in retirement. It is tempting to think of retirement savings as one big pot of money (i.e. $2 million), but in reality, you should aim at replacing a portion of your monthly income; we would recommend 80% of your preretirement income, conservatively.

Account for Healthcare

A 2013 study conducted by Fidelity's Benefit Consulting group estimated that the out-of-pocket health care expenses for a 65-year-old couple with no employer-provided retiree health care will be $220,000 assuming a life expectancy of 17 years for the man and 20 years for the woman. Fidelity also found that people may underestimate these costs by more than 50% and, amazingly, 48% of pre-retirees aged 55-64 thought they would only need $50,000 for health care expenses in retirement! Do what you can now to lead a healthy lifestyle, take into consideration family history, and make sure to calculate medical costs into the overall needs of your "future self".

Want to Learn More About Saving for Your "Future Self"?

As the Financial Advisors who help represent the participants in your company's retirement plan, we're here to help start or enhance your road to retirement! If you'd like to learn more about how Grinkmeyer Leonard Financial can help you, contact us today or visit us online at www.retirementplanready.com .

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