THE BAM ALLIANCE®
A Community of Independent Advisors

Mercury Rising: Retirement Planning Throughout Life

Joe Delaney

Imagine your life as a thermometer. Instead of a gauge of temperature, pretend the numbers on the tube represent your age through your full-time working years. Fluid (traditionally mercury or alcohol) rising close to the top of a thermometer means you're probably getting pretty uncomfortable. Likewise, a high level on our "age-o-meter" means danger for the financially unprepared.

Your 20s and 30s

We tend not to worry about the heat of summer in the middle of winter. For younger workers, the hopes and cares of career attainment tend to overshadow concerns about having enough in retirement. Yet this is the time, before getting bogged down by the expenses of later life, that dividends from the contributions you make now to a 401(k) or IRA will be the greatest farther on.

If you have children approaching this age, or who already are young professionals, urge them to start saving early. Even though they haven't reached their full earning potential, just getting into the habit of setting aside money each month can have a powerful effect over time thanks to compounding. Without a modest savings plan, it only gets hotter from here.

Your 40s

The 40-tick on our age-o-meter feels about double that in degrees Fahrenheit. Here the unprepared begin to sweat. You're approaching your peak earning years, but you didn't foresee all the increased expenses that come with providing for a family. Food and clothing, health insurance and seeding a 529 college savings plan can really add up. At this point, it is easy to focus on your kids at the expense of your retirement, but you must keep the long view in mind. Saving for retirement now helps spare your children from the burden of supporting you financially later.

Tuition costs often become a major expense during this stage, and it's best to be strategic about reducing them. The earlier parents start instilling in their children the importance of earning merit awards and scholarships through their performance in school, the less they'll have to fund a 529 account. It's also important to investigate the FAFSA (Free Application for Federal Student Aid) and understand and utilize this resource when applying for college. Even seemingly well-to-do parents find that when they work with a financial advisor, there are strategies for asset structuring that can help bring families into an eligible income tier. If you can't stand the heat, it's time to let some air out of the room.

Your 50s and Beyond

If you haven't yet, planning for retirement now is an urgent priority. The age-o-meter is near bursting. Even given your professional success, the turnaround from padding your investment capital to taking withdrawals from it can cause heatstroke for the unprepared. You must carefully consider how much investment risk you're willing to take on to maintain your current lifestyle in retirement or to meet other financial goals. Potential losses could force you to push back retirement for several years or lower your standard of living considerably.

Adjusting your standard of living doesn't have to be a crisis response, however. You can plan for it. It's important to discuss with an advisor the reasons why you're struggling with financial goals. Are you living beyond your means? Can you downsize your home or work more? These are value issues. It is important to be honest with yourself about what drives your decisions. Not addressing those questions with a third party who can look objectively at your situation could have disastrous consequences.

(Playing the stock market for short-term gain is a risky road. Even Warren Buffett suffered sharp losses in 2015.)

Hopefully you set a goal early and calculated how much you needed to put away each month to reach your objectives. You may not have followed the plan perfectly, but you're miles ahead of where you would have been otherwise. The work of regularly checking your progress and making course corrections as needed is far less stressful than pre-planning.

If you have yet to make a financial plan that helps prepare you for retirement and protects what's most important to you, fretting will not help. Consider talking to a financial advisor to get a sense of where you really are. It's never too early, but it's not too late either.

About Joe Delaney, Managing Director, Lifeguard Wealth, San Rafael, CA

Joe Delaney founded Lifeguard Wealth to help others realize their goals and dreams. As a fee-only financial advisor, he is dedicated to putting clients first. Joe has more than 30 years of financial-industry experience as a CPA and CFO; he has held senior positions with institutional investment and wealth management firms. Since 2001, he has focused his career on creating and executing wealth management strategies for individuals and families. He is licensed to provide investment advisory services, and he holds a BA in economics from Stanford University and an MBA in finance from UCLA Anderson.