

Foreword

During the last 27 years as a financial advisor, I have witnessed many changes in the retirement planning landscape. People's needs have become more intricate; more complex. With the disappearance of many companies' defined benefit plans, the burden of funding retirement now more than ever lies squarely on the shoulders of the individual, rather than the company for whom he works. No longer can a worker assume that he will receive a healthy pension when he retires. Workers now have 401(k)s as their primary retirement savings vehicle. 401(k)s are a wonderful tool to help with retirement. But a 401(k) is directed by the employee, not the employer.

We as workers must choose to participate in the 401(k). We have to make the investment choices. We need to be diligent about saving our money and spending wisely both while we are working and during retirement. And although there may be resources out there, we must seek them out. They do not come to us. That is the purpose of this book.

When Alex, Ed and I sat down to write this, we wanted to provide useful, relevant information to anyone who could use some advice. Originally, we had intended to give this handbook out to our current clients, along with a second copy for their children. But this handbook is not directed at a particular age group. It begins, appropriately enough, at the beginning, right after a student graduates college. It ends, equally appropriately, at retirement. But the lessons contained within are useful

no matter what phase of life you are in right now. For example, the chapter on budgeting is in the first section, since it's one of the first things on which a newly employed person should focus. But who among us, age aside, couldn't use a little help balancing our own budget? Most topics in the book can be applied to any age and any phase of life, from the first day of work to the last day before retirement and beyond.

I have had the privilege of helping hundreds of people reach for their retirement goals. It is one of my passions. I believe very strongly that by helping others, we help ourselves. I sincerely hope that you enjoy this book. And I truly hope it helps you, in some small measure, to live more! -JLW

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Part One, Chapter One: Pick a Career Path and Follow it!

According to the Bureau of Labor Statistics, the average twenty-something will change jobs every eighteen months. Eighteen months! This may, to some younger people, seem like a magic bullet for avoiding boredom and keeping a career path fresh, but the long-term results can be devastating to the chances of success down the road.

Let's take a step back for a moment.. From a financial perspective, the goal of a career is two-fold. You need income to meet current obligations. This is the most obvious need. In our consumer-spending driven society, the desire to consume is ingrained within us from a very early age. Walk through any grocery store on the weekend and chances are that you'll see a child catch sight of some brightly colored packaging and instinctively reach for it, shouting "want, want!" as her mother tries desperately to continue her shopping. This desire does not wane as we get older; rather, the desires we have generally become bigger, better and more expensive.

The second reason that we have careers is to accumulate savings. With any luck, we will all live to a ripe old age. But most people do not want to continue to work while they ripen further. At a predetermined

age-band ranging somewhere between fifty and seventy, most people want to “hang it up” and enjoy the remainder of their lives in relative peace and recreation; what most people consider to be “retirement.”

Everything discussed in this book will focus on the ability to maximize the potential for the accumulation of savings and the intelligent distribution of those savings when we are no longer employed full-time. So how does hopping from job to job every other year negatively impact the ability for one to accumulate assets? For some, it may not. But many companies have a tool in their back pockets to prevent employees from jumping ship too often—vesting.

Vesting is the schedule employers use to determine when an employee is eligible for retirement plan benefits. Some companies may require an employee to work for twelve months before they are eligible for pension benefits. Some companies may delay that for up to sixty months—five years. Other companies may grant profit-sharing distributions in the form of a 401(k) match at the end of each year. If a worker leaves prior to the distribution, he forfeits the right to that compensation. It may not seem like much, but if the 401(k) match is five thousand dollars, assuming an 8% compound growth rate, that five thousand dollars in thirty years will have growth to over fifty-thousand dollars!

It is never a good idea to stick with a job if you are truly miserable. But hopping from job to job for the sake of alleviating boredom or because you don't like the brand of coffee the company serves in the break room isn't right either. Decisions like that may start you off down the wrong path and dramatically impact the amount of money you'll be able to accumulate by the end of your career.