

HOW TO RETIRE WHEN YOU WANT, WITH THE MONEY YOU WANT

Is the start early; save as much as you can; get a good return on your money working for you? Savings rates are at an all time low and personal debt levels are staggering. What's the solution? Work longer? Reduce your lifestyle expectations? The answer is really quite simple, yet seems to be somewhat of a mystery!! Let me tell you, it's not a secret!! The answer is in looking at the situation for an income perspective, not the traditional asset accumulation model we have all adopted.

If you have expectations to receive a household income equivalent to say, \$60,000 per year for 30 years, at retirement that would require you to have savings of \$922,347. In order to accumulate this sum you would need savings of almost \$14,000 per year for 30 years. These figures are based on conservative estimates of 5% earnings on your money, because whether inflation is low or not and whether the money is saved inside a tax sheltered investment or not, taxes and inflation is a factor that will affect your total return. You can use larger returns to make your estimate if you like, it's your choice – but so is everything about how you live your life and plan your finances.

You can also decide to accept any income figure you like. If you seriously consider the \$60,000 household income – does it really give you the money you want to do the things you like to do? That's for you to decide. On an after tax basis \$60,000 is approximately \$3,000 per month. Consider this when you make your projections: What are the costs of your activities? How much is clothes, food, entertainment, gifts, insurance, household maintenance? Everyone lives their lives completely different. How are you to know what income you want when you leave the workforce unless you do some research for yourself and find out just how much it's going to cost. This means starting today to keep track of your current expenses.

This is the secret to being able to retire: you absolutely must know how much INCOME you want coming in to support your lifestyle. If you don't know what you want to do, then I suggest you do some research to find out what you might like to do. And, while you're doing your research, still keep track of what you're spending today regardless of whether it's what you think you'll be doing when you leave work – it's a necessary starting point in preparing a full financial plan.

If we decided that the \$3,000 per month net income was sufficient, then we have two choices: 1) save enough money to fund it. This savings might be entirely on your own, or perhaps will include company and government pension money as well, or; 2) develop income streams today that will provide you with the \$3,000.

Ask yourself this question: which is an easier number to grasp? \$3,000 or \$922,347? If the answer is \$3,000, then start to plan your financial activities so you are creating income. There are many different ways: business income, real estate, network marketing, royalties, licensing, and income investments, are just some key areas.

Consider, for example, if you purchase a home with a suite in it today that produces \$600 per month income. You could use the income when you needed it, use the space when you needed it, then convert it back to income again when you needed it at retirement.

Here's another example to help you switch your focus from growth to income: If you were to make a \$10,000 investment and expected to receive 5% on that money, we normally look at the amount that investment will grow to. In this case, if the investment was left for ten years at that return it would grow to \$16,289. Great – but that growth money can now produce income of \$2,109 or \$173 per month for ten years. You can easily structure your investments with an advisor to plan for income rather than simply long-term growth.

Everyone has income generating ideas, they just get so focused on earning a living for today they forget about the future. There are many terrific resources to help you take your ideas and turn them into income. You simply have to first recognize that you are looking for income ideas – not get rich quick schemes - but solid, income generating ideas that you can work into your financial plan. Then when you find them, you can implement them whenever and however you like – so retiring (or more appropriately, being financially independent) can be yours whenever you want and at whatever level of income you want – your choice!!

A handwritten signature in cursive script that reads "Tracy".