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The Top 10 Reasons Not to Plan for Retirement *Getting back on the road to retirement*

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The housing/credit/stock market crash of 2008 decimated all but the most conservative retirement accounts, and if you were still in the saving stage of retirement planning, you probably weren't in the most conservative allocation. So you got killed.

Hoping the stock market recovery will rebuild your retirement account is part of the American Way of retirement planning. But now clients are concerned that 'the American Way' of saving and investing is a thing of the past, and their retirement hopes are gone forever.

As advisors, it is interesting to hear some clients voice this concern, because the ones expressing this fear are the very clients that we were never able to actually get focused on creating 'A Plan'. Their 'plan' was to keep everything in the stock market until they retired, 'then we'll look at changing it'. Folks, that's not a plan. That's the same as saying, "I'll drive 85 mph in a 55 zone until I see a cop." We all know how that ends: by the time you 'see' the cop, you're already in trouble. The stock market is the same way.

So what happened to 'The Plan' for investors who were all in stocks in 2008? Let's look at an example. Ann and Steve, both age 50, had \$400,000 in savings in January 2008. Their plan was to save \$20,000 per year, retiring with a big party at age 65. They figured if they earned 7% per year and took out \$50,000 a year (increasing it 3% per year for inflation), they would live a happy retired life until simultaneously dying penniless at age 100.

Fast forward to January 2009. Because of the craftiness of their investment advisor, they 'only' lost 30% of their assets in 2008, so now they have a balance of \$280,000. What is the plan now? They have several options:

1. **Work longer:** Instead of retiring at age 65, don't retire until age 68 ½. (They really don't work that hard now, so this is a viable option.)
2. **Die sooner:** Instead of dying penniless at age 100, they could keep all the original assumptions but would run out of money at age 86. Given both their family longevity histories and love for desserts and dessert wine, this might also be a more realistic scenario. And the heck with kids' inheritances. They can do their own saving.
3. **Save more:** Increase their savings from \$20,000 per year to \$33,000 per year. As their kids finally get out of college and the mortgage gets paid off, they thing

that this might not be that difficult. As long as they don't have to give up the annual vacation to Cleveland.

4. **Increase their estimated rate of return and/or lower their annual inflation adjustment:** Their current projection assumes a 7% return and an annual 3% inflation COLA. If they nudged the return up just a bit to 8%, they are back on track. However, given they were already all in stocks and had some worries about future market returns, they didn't think this was a good solution. But it was fun looking at the results.

Their new plan is to start saving a little more each month now and recalculate 'The Plan' next year and every year thereafter to see how they are doing.

Folks, take advantage of the hand dealt to you by the stock market crash of 2008 and review your plan. It puts the process back in your control and gives you the feeling of having taken action. It also may put more money to work in a market that arguably has potential for greater returns as the economy and markets recover.

Now to the top ten reasons you won't do this:

Reason #10: "I'm too busy."

So many people want to plan for a better retirement, but they don't have time. They think they'll take care of it tomorrow or the day after that ... and before they know it, several years have gone by. They have wasted years and years of savings. Stop procrastinating and start planning today. It doesn't take that long, really!

Reason #9: "It's too soon."

I don't know how this happened, but many people have adopted the notion that you don't have to start planning for your retirement until you're almost there. This is totally incorrect. The truth is, the sooner you start planning, the better chance you stand of having the kind of retirement you want. It's never too soon. And while you are at it...tell your kids to start saving now, too!

Reason #8: "It's too late."

If you're already near or past your retirement eligibility date, you may think that whatever you've got is what you're stuck with and it's too late to do anything about it. Think again. If you're unsure of what your options are, speak to a professional. Even if you've already retired, it's important to consider how you're receiving income and how long it will last. It's never too late to revise your income distribution strategy.

Reason #7: "I don't need to."

Many people think that because they've been diligent about contributing to a savings account, they're all set. While saving for retirement is good, you also need a plan for distribution once you enter retirement. Are you certain that what you're saving will be enough? What about taxes? What about inflation? And are you sure your money will be properly invested? There may be other, better options for you, and it may prove worthwhile to look into them.

Reason #6: "I don't have enough money to get started."

This is like saying you don't have enough money to have kids. You can't wait until you HAVE money to start saving. Unless your bills are exactly equal to or greater than your net income, you DO have enough to get started. Starting small is better than not starting at all, and if you plan well, you'll eventually have more to work with.

Reason #5: "My finances are a mess."

This is all the more reason to seek out an advisor who can help you sort through and understand your assets. Perhaps you have a 401(k) from a former employer that has not been rolled over, a couple of savings accounts, or some inheritances. Consider speaking with an advisor who can look at your complete financial picture, help you to understand it and help you to develop a plan to make your "financial mess" work better for you.

Reason #4: "The government will take care of me."

Pulleezze. We'll leave the political diatribes at the door, but the bottom line is this ... depending on your age, there is a good chance Social Security may not be there for you to a great degree when you retire, so don't plan on it. That way, if you do qualify for some benefits, it will just make your retirement that much better.

Reason #3: "Between my savings and my 401(k), I'll be fine."

Saving for retirement without a distribution plan is a mistake. It's like driving in the dark without your headlights on. How can you see where you are going or whether you have arrived? And while you may think you'll have everything you're going to need, have you considered inflation? Taxes? And furthermore, some people are living past 90. Will your assets last that long? Do your children really want you moving in with them?

Reason #2: "I don't want to think about it."

Many people procrastinate simply because the thought of discussing financial matters (or growing old) is unappealing. But consider this ... if you bite the bullet now and put a firm plan in motion, you may not have to think about it again for quite some time. And, as was the case with Ann and Steve, maybe it isn't as bad as you think...

Reason #1: "I don't know how."

This reason doesn't stop people from doing their taxes, so it shouldn't stop you from doing your financial plan. If you don't want to do it yourself, speak to a professional. And we just happen to know where some are located!

These are just some of the reasons (aka 'excuses') why people don't plan for retirement or other aspects of their and their family's total financial plan, including insurance and estate planning.

So if the stock market crash of 2008 put your retirement plan in the ditch, stop now, take out the map and find out what adjustments you need to make to get yourself back on the right road. And if you don't know how to do this, ask for directions! (Yep, even you guys out there...) The sooner the better.

If you would like more information on the topic of retirement planning, contact Ann McCorkindale, CFA, CFP[®], chief investment officer for Honkamp Krueger Financial Services at 563-582-2855, toll free at 800-791-8994 or amccorkindale@hkfs.com.

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