Five Life Stages:

Moving Towards Financial Security

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When it comes to saving for retirement, your life can be divided into five stages, each with its own challenges. As you move through each stage, you should consider how much time is left until you retire, how much you can afford to invest toward retirement, and how much risk you are willing to take with your investments. Through proper planning and saving, retirement can be something you look forward to rather than something you worry about.

Age of Majority (18-30)
Most adults begin to work and earn a steady income during these years. Although it's the best time to begin saving for retirement, most of us do not take advantage of it. Thanks to compounding interest, if you begin to save early, you'll need to save less money over time than you would if you began to save at a later date.

Age of Responsibility (30-45)
During these years, work responsibilities and salaries usually increase. But personal responsibilities increase, too. For instance, you get married, purchase your first home, and have children. Most people begin to consider saving for retirement during this stage, but it can be difficult at this point in life to make consistent contributions to a retirement fund. Though other financial obligations may seem more pressing, contributing to a retirement plan should remain a priority.

Age of Maturity (45-55)
You are at the peak of your career and earning potential, but your expenses can also be great. College tuition, divorces, and career changes all typically occur during this stage. It's a good time to review your retirement goals and ensure that you are on track to meet them. If you're not, it may be time to change your strategy.

Age of Reflection (55-65)
While some expenses may be dwindling, other costs-such as health-related expenses-may be on the rise. You may also have to contribute money to support your own parents. Now is the time to focus on your retirement strategy and goals, and to review

your investment risk strategy. Although a high-risk investment vehicle may have been appropriate during your 20s, at this stage, it may be wise to choose something more conservative.

Age of Tranquility (65+)
Today, many people work past age 65 in order to continue saving for retirement. Before deciding to retire, consider whether your retirement savings are sufficient to support you, or if you will have to make lifestyle changes. Thanks to all of the saving and planning you've been doing, however, you may be able to enter retirement confidently and begin enjoying your golden years.

Paths to Saving and Creating a Budget
A budget is an estimate of income and expenses for a set period of time. Creating a budget can help you get control of your finances and achieve important financial goals, including buying a car, saving for college, purchasing a home, and providing for a family. It can also be beneficial in meeting unexpected financial challenges, such as losing a job. Generally speaking, budgeting will help you improve every aspect of your financial situation in the future, and the earlier you begin budgeting, the better off you'll be.

Write down your financial goals. Before you start evaluating how much you can actually save each month to achieve your important goals, you should consider setting some near-term financial goals. This is essential to tracking your progress. So you need to:

- Determine what percentage of your paycheck you would like to save.
- Decide how much money you would like to save each month or how much money you need to save in order to achieve one of your longer-term financial goals.
- Consider how much money you want to allocate to future purchases, as well as how much you want to contribute to an emergency fund and a retirement plan.

Whether your goal is to put away a couple of hundred-or a few thousand-dollars every year, you need to know what that amount is. Once you have a realistic idea regarding how much you'd like to save, review the steps below, which can help you determine precisely how much you actually can save.

1. Track your income for a month. Figure out how much you make per month. Think in terms of your net income, that is, the amount of money you actually take home (i.e., your net pay) after federal, state and local taxes; contributions to employer-sponsored health insurance; and so forth have been subtracted from your gross pay.

2. Track your expenses for a month. This is the most important step to budget creation. You should record every purchase you make-without exception. No dollar should escape accountability. If you bank online, it is extremely easy to track noncash expenses and debit card charges by simply exporting the information from your user login to a spreadsheet.
a. For example, Bank of America provides ready-made Household Budget worksheets in Excel that can help you track expenses and compare your monthly income against monthly expenses. If you share expenses with someone, this is a great way to express joint expenses.

3. Create spending categories.
Split your expenses into luxury items and necessities. Necessities would include rent, groceries, car payments, insurance, utilities, and so on. Luxuries would include dining out, entertainment, and other unnecessary items (e.g., extra trips to Starbucks).

To be safe, you should include your saving goal as a necessary item, so you would be less likely to sacrifice saving for other luxuries. Excel is a wonderful tool for this because you can color code your expenses, making it more obvious to tell which type of expense is which.

4. Evaluate your budget. This is the final step in budget preparation. Take a good look at your expenses. Do you see numerous luxury items that you can live without? One benefit to having expenses displayed on an electronic spreadsheet is the ability to make quick and easy calculations. You can set limits on your spending based on the results of your calculations.

Besides preparing yourself for big purchases later in life, your budget can help save you from going into debt in the event of an emergency that requires you to unexpectedly spend a large amount of money.

Check your budget frequently
Keep in mind that it's important to check your budget frequently to be aware of any changes that may have occurred in your financial situation. Every three months is a good rule of thumb for tracking your spending habits. Not doing so could result in overspending, under saving, and therefore delaying your big financial goals.

What are you waiting for? Get started now!
Now that you know how valuable a budget can be to your financial future and achieving your dreams, what are you waiting for? No doubt you'll want to begin a savings program as soon as possible. Begin by considering the steps outlined here. In addition, to help make your budget a reality, you may want to use this helpful online Budget Calculator.

My staff and I deeply appreciate the continuing opportunity to work with you. Please let me know if you have any questions or requests. Thank you.

Sincerely,

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