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Retirement Connection

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During his 35 year career with Foresters Financial, Paul has focused on retirement plans. In his current role, Paul provides our branches and Representatives with support and training related to retirement to better serve their existing clients as well as developing new markets.

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3 Simple Steps to Improve Your Financial Well-Being in 2015

Study after study shows that Americans aren't taking charge of their financial futures. Most people aren't saving nearly enough, and many continue to live paycheck to paycheck.

A 2014 survey by the Federal Reserve Board found that nearly one-third of U.S. households have no retirement savings whatsoever, and 25% of those who've done some retirement planning still aren't sure how they'll cover expenses in retirement.[1]

These are unfortunate statistics, but they shouldn't be: Saving for retirement isn't nearly as challenging as the statistics would suggest.

Improving your financial well-being and saving for retirement really comes down to a simple, three-step process. Make 2015 the year you focus on improving your finances and get serious about saving for the future. Here are the three steps to get you there:

1. Understand Your Spending Habits

Start by evaluating how you spend money. I recommend people grab their credit card and bank account statements and truly break down where their money goes.

As you start dissecting your spending habits, you might discover some surprises—and find easy ways to save more money. For example, you might find that certain types of expenses can be easily cut. Maybe you can trim your smartphone or your cable bill or eat out less frequently. Everyone is different when it comes to spending, but understanding your habits is essential to changing them.

Once you identify how much you spend on basic expenses—such as your rent or mortgage and other regular bills—you can more easily see how much income you can realistically save for retirement and your other financial goals.

2. Categorize Your Financial Goals

The next step is figuring out how you will allocate the savings you do have. Many people have various financial goals. It's helpful to divide those goals into three main categories: short-term, intermediate and long-term. Short-term goals are those you hope to achieve within the next three years; intermediate are those you're planning to reach in the next three to 10 years and long-term goals are those you're looking at that are more than 10 years away.

If you have young children, perhaps one of your long-term goals is helping them pay for college by putting money each month or year into a college-savings account. That will become an intermediate- and then short-term goal as your children get older and closer to college age. A short-term goal might be buying a new car within the next couple years or taking a major family vacation. Retirement is a long-term goal until you're less than a decade away from it—then you need to start treating it like an intermediate or short-term goal.

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Categorizing your goals in that way helps you figure out how to most effectively save and invest that money. If you're saving for a short-term goal, for example, you don't want to invest that money too aggressively—in fact, you should keep it in low-risk, liquid investments so you can rest assured that savings will be there when you need it.

Your intermediate and long-term goals can be invested in stocks and other more aggressive investments. Because you have a long enough time horizon to ride out any market volatility or even longer-term downturn in the financial markets.

3. Put Your Plan Into Action

Once you've analyzed your spending and categorized your goals, you can better see how you can reach those goals.

Create a budget that covers your regular expenses and allows you to save for each of your long-, intermediate-, and short-term goals. You may have to direct your savings for each type of goal toward different accounts. For example, your workplace retirement-plan contribution will likely come out of your paycheck automatically—a great way to force yourself to save. You may automatically deposit a certain amount each month into a savings or money-market account specifically for that vacation you're hoping to take this summer.

Keep in mind that the sooner you start planning and saving for your future goals—particularly retirement—the easier it will be to achieve them. When you're still 20 or 30 years away from retirement, you can invest your savings more aggressively and potentially achieve a higher long-term investment return than if you're just five or 10 years away and need to invest more conservatively. Moreover, a longer time frame allows you to really benefit from dollar-cost averaging—the idea that by investing at regular intervals over time, you can lower the average share price of your investments and potentially improve your returns.

The key is not to wait. Don't put off saving and investing for your retirement and other future goals. The basics of saving for your future are very easy—you just need to spend a little time getting your plan in place.

A Foresters Financial Representative can help you review your goals and create a saving and investing plan to help you achieve them. Contact First Investors to get started today.

[1] *Federal Reserve Board, Report on the Economic Well-Being of U.S. Households in 2013, July 2014.*

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