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EIGHT TIPS FOR PLANNING YOUR RETIREMENT

A few simple steps to help you get started on the right foot.

Presented by Skip Briggs, CPA/PFS, CFP®

Planning financially for retirement may feel overwhelming. For some, that feeling is what keeps them from really focusing on and implementing a plan. If you haven't started planning for your retirement - do yourself a favor and make TODAY the day you begin.

1. The earlier the better.

Time is definitely one of your greatest allies. A person who begins contributing a modest amount to a retirement plan in their early twenties could end up on par with someone who contributes much more aggressively but does not start until their mid-thirties. Even if you have to start small, start now. Whatever amount you can afford to set aside for later, do it - and let it grow. If you don't have the luxury of starting young, don't waste time worrying about it. Start now. You'll never again be younger than you are today.

2. Be smart about what you'll need.

Yes, it's true - the senior discount is alive and well, and the general cost of living may be less for those who have retired. But don't forget, there are other costs to consider. Your healthcare costs, for example, may be greater in retirement simply because you're not as healthy as you were in your youth. Additionally, you'll want to take inflation into account. If you plan your retirement based on the cost of living and income of your 30's, by the time you hit your retirement years, you may find you greatly underestimated your needs.

3. Be smart about how long you'll need it.

When Social Security was being developed, in the 1930's, a male retiring in the United States was really only expected to live about 12 years past his date of retirement.² However, the average life expectancy of a United States citizen has risen fairly steadily throughout the last fifty years.¹ Depending on when you retire, you may need to plan for 20 or more years of income.

4. Take advantage of tax-deferred contributions.

It sounds like a no-brainer, but sometimes people determine how much they can afford to contribute to a retirement account based on their net income, rather than their gross income. You may decide you can only afford \$50 less per paycheck, net. But remember that some contributions, like those to your 401(k) for example, may be made with pre-tax dollars. That means you can afford to contribute a bit more from your gross income and still only “miss” \$50 from your net income. This is an important consideration.

5. Take advantage of matching contributions.

If your employer offers a 401(k) match - consider scrimping here and there in order to take maximum advantage of it. It's a very positive domino effect. The more you contribute, the more you earn in matching contributions (up to the maximum allowable amount). Think of it this way - if your employer offers a 50% match, then for every \$100 you don't contribute, you're missing out on \$50 in “free money”. You're also missing out on the growth potential of that money as well.

6. Do the math.

This might be the most important retirement tip of all. Block off some time to sit down and do some calculations. Consider the different levels of contributions you could make and calculate how far those could take you by the time you reach retirement. Once you see what you COULD achieve, you may be more motivated to increase your contributions.

7. Trim the fat.

Keep careful track of your spending for one month (if you bank online, you may have access to tools that help you do this). After one full month, sit down and take a careful look at what you spent money on. Did it all make sense? Was some of it frivolous? Any regrets? Taking a close look at exactly where your money is going is often the best way to discover areas that need improvement, and ways you could adjust your spending habits. Add up all the money you feel you spent unnecessarily, then add that amount to the contribution math you did previously ... how much further might that extra monthly contribution have taken you?

8. Get help.

These retirement tips are intended to help you get started down a path toward, potentially, a more successful retirement. But they're just that - a starting point. While it's definitely important to educate yourself and understand your finances, seeking the assistance of a financial professional may be one of the best moves you could make.

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1 - google.com/publicdata?ds=wb-wdi&met=sp_dyn_le00_in&idim=country:USA&dl=en&hl=en&q=life+expectancy [10/29/10]
2 - http://www.newretirement.com/Planning101/Retiring_Too_Soon.aspx [10/25/10]