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Financial Briefs

SEPTEMBER 2021

Sufficient Funds for Your Entire Retirement

Depending on your age and circumstances, retirement can feel far away and mysterious or achingly close and excitement (or panic) inducing. When you're young, the idea of retirement is shrouded in the mists of future wealth and idle thoughts of what you'll do when you don't have to work anymore. But while those fast approaching retirement may have a clearer view of what is to come, in some ways, they are just as unaware of what is really in store for them over the next few decades. Most of us don't know how long we're going to live, so making sure we have sufficient funds for our entire retirement is incredibly important.

How Much to Save?

While it's thought you could only need as low as 70% of your current income per year in retirement, it is wise to assume that you will need closer to 100%. Think of all the things you enjoy doing now: traveling, hobbies, attending cultural events and sports games. All of these could be a vital part of an active and interesting retirement, but they also cost money. Make sure you have saved enough to be active and that your withdrawal rate is not so high that your resources could deplete early. While it's always customizable, a good starting point is to withdraw 4% in the first year of your retirement, and continue to adjust for inflation down the road.

Cutting down on living expenses now will free yourself up for more contributions to your retirement and will give you an idea of how little you can live comfortably on. This will give you a better idea of how much you will really need in retirement. The most important expense to get rid of is payments on any debt before you enter retirement. Your cost of living will be significantly reduced if you have paid off your mortgage and any outstanding consumer debt.

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Saving Based on Personal Goals

To effectively save money, you need to develop a financial plan based on what you want to achieve in your lifetime. The foundation of your financial plan is the personal goals you establish.

You will want to develop short-, intermediate-, and long-term goals. Each goal should also have a defined dollar amount and specified time frame for when you want to meet it.

Deciding on Your Goals

Examples of goals would include:

- Short-term goals could include saving for an emergency fund, a car down payment, small home improvements, buying furniture, or a vacation.
- Intermediate-term goals would include saving for a home or starting a business.
- Long-term goals typically include saving for a child's education, a vacation home, and retirement.

Once you've established your goals, you will then want to identify a dollar amount that you need to complete each goal. An annual vacation may be a $5,000 goal, while retirement may be more like a $1,000,000 goal.

What's Most Important

Now that you have your goals, their dollar amounts, and time frames, the next step is to decide the importance of each goal so you can structure your savings plan according to your priorities. For example, if your first priority is saving for retirement, you will want to put money away for this before anything else by having a percentage of your paycheck earmarked for a 401(k) plan, IRA, or Roth IRA. Only

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Sufficient Funds

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When forming a plan or determining if you are ready to retire now, err on the side of longevity when it comes to your lifespan. Add a few years to what is generally expected — plan on living until 85 or 90. It is a far better situation to have saved more than necessary than to run out of funds so late in life. In the vein of further caution, it is a good idea to have an emergency fund outside of your retirement plan. A general rule is to have at least six months of living expenses tucked away just in case.

What about Housing?

In general, housing should take up about 25% of your gross pay or 35% of your take-home pay. If you own your own home and have paid off your mortgage, this shouldn't be a difficult guideline — but remember that with a house comes additional, and often expensive, repair and maintenance costs. If you plan on staying in your home throughout your retirement, make sure the big stuff is in good working order or replaced while you are still drawing income. This includes the roof, the foundation, siding, HVAC, sewer lines, and septic system, as well as an emergency fund in case of fire or water damage.

Your house will also need to be adapted for your needs as you age. You may need to consider selling a home that requires a lot of upkeep and downsizing to something more manageable. No one wants to face the reality of physical deterioration, but most people face mobility issues as they age and a one-story home is safer and easier to navigate.

Continuing Income Options

It may be tempting, but resist the urge to take early retirement. It is difficult enough to save enough money to live on in retirement if you are only retired for 20 to 25 years. Imagine if you retire at 55 years old and live for another 35 years. You will need enough funds to support yourself in retirement for longer than you were in the workforce. Every extra year you work is a year you don't have to support yourself using your retirement savings.

Once you've retired, it can be helpful for your savings and your wellbeing to work a casual, light job. Many retirees find themselves missing the comradery of the workplace and the continued income will allow for more spending money, vacations, and greater security in your savings. You could put your experience to work for you as a part-time consultant in your former field, or put in a few hours a week at the town museum.

Last but not least, consider longevity insurance. This is a type of deferred annuity that will continue to provide income well into your twilight years. People usually purchase it at around 65 years old, and the payout begins at 80 years.

Please call if you'd like to discuss this in more detail.

Effective Strategies to Increase Savings

Most people know that they should probably be saving more, but it often feels painful. Here are some relatively easy strategies that you can use to help increase your savings and reduce the savings pain:

Set savings goals. Start with specific goals with an attached dollar amount and a defined time period. Vague goals rarely get achieved because you can't track your progress. For example, instead of save for a vacation, a more specific goal would be, save $3,000 in an 18-month time frame for a trip to Mexico. Don't forget to think long term too. You'll want to develop specific goals for retirement, such as saving $1,000,000 for retirement by the time you reach 65 years old.

Save automatically. You know that old adage about paying yourself first? Well, an automatic savings plan can help you do just that. Before you spend a dime out of your paycheck, have a specific dollar amount automatically deducted and directed to a savings account, IRA, or 401(k) plan. This is the easiest way to develop a savings discipline.

Adjust withholding. Most people pay the majority of their taxes through payroll deductions. But if you consistently get a large tax refund, you should adjust your withholding exemption to better match your tax liability.

Use cash. Many studies have shown that people are likely to spend more if they use credit cards instead of cash. By using cash, you only spend what you actually have versus what is available to you on your credit cards. While it may be hard to determine how much you are saving, you will know for sure that you will not be paying interest on credit card balances.

Take full advantage of your 401(k) plan. If you have access to an employer-sponsored 401(k) plan, contribute as much as you possibly can, especially if your employer matches your contribution. Think of it this way. If you pay 30% of your income in federal and state taxes, for each $100 you contribute to your 401(k) plan, it is only costing you $70 due to tax deferral. If your employer matches your contributions at 50 cents on the dollar, you now have $150 in savings for your $70 contribution.

Look at insurance deductibles. Increasing your insurance deductibles on both your home and auto insurance can save you a significant amount of money on your premiums. If you have saved enough in your emergency fund to cover a $1,000 deductible versus $250 if you make a claim, you could be saving as much as 25% on your insurance premiums.

Please call if you'd like to discuss savings strategies in more detail.

Personal Goals

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after this money comes out of your paycheck can you earmark other funds to meet other goals, such as saving for a new car or house.

Get Your Financial House in Order

Two of the most important short-term goals on your list should include creating a budget and specific line items in your budget for savings. Create your budget by identifying all of your monthly expenses and organize them on a spreadsheet or in an online budget tool. In addition to your monthly bills, you should also identify all your other expenses, such as dining out, movies, daily coffee, clothing, prescriptions — basically everything that you spend should be recorded on the budget. You will then be able to see how your expenses compare to your income.

Most financial experts say that your savings line items should be between 10% to 25% of your income and should include specific line items for both short- and long-term goals. If you find saving that much is not doable, you will need to take a long, hard look at your entire financial situation to identify nonessential expenses and ways to improve your savings.

A good first step is to identify the wants versus needs of your budget. What expenses can you reduce? What expenses can you eliminate all together? Think about all of those other expenses on your budget, such as meals out, morning coffee, and those expensive shoes. Also, look at your essential expenses to see what can be reduced. Do you really need a landline phone? Can you reduce the data package on your cell phone? Is there another cable package or provider that could save you money? You should also consider using cash or your debit card instead of a credit card, which will remove the temptation of overspending.

The next step is to look at all of your debt, including credit cards, student loans, car loans, mortgages, etc. You may want to make one of your short-term goals to eliminate or reduce the balances on your credit cards, since they carry higher interest rates if you are not paying them off on a monthly basis. Other debt, such as a mortgage or a student loan, has lower interest rates and can be paid down while you are saving and investing. All of the expenses you reduce or eliminate can now be put toward the savings portion of your budget.

Make It Automated

Almost all financial institutions offer automated transfers between your checking and savings accounts so you can set-up how much you want to transfer on a monthly basis. You can also set-up an automated savings deposit through your employer so the money is automatically deducted from you paycheck into your savings. Either way, the automation makes it easy and helps reduce the temptation to overspend.

Please call if you'd like to discuss savings strategies in more detail.

5 Reasons to Start Saving

Saving money is a bit like exercising. We all know how important both are, but it can be hard to actually get into the habit of doing either. Here are five reasons to help keep you motivated.

1. You'll Be Prepared for Emergencies

Here's an alarming fact: most Americans don't have enough money saved to cover even relatively small unexpected expenses, such as emergency room co-pays, minor car repairs, or a broken furnace. Without cash on hand to cover these irregular but inevitable costs, you're more likely to turn to credit cards or loans when the need arises. Not only are you forced to take on debt, but you don't have time to shop around, making it more likely that you'll end up with an expensive, high-interest loan.

2. You'll Be More Independent

Having savings gives you more flexibility and independence. With a healthy amount of savings, you can feel more free to take risks, like starting your own business, heading back to school to train for a new career, purchasing a home of your own, or moving to a new city. Plus, without savings, you're living on the financial edge, and you're more likely to find yourself stuck in situations that you may not be satisfied with. Committing to savings today, even if it's just a small amount, will start to give you the freedom to make different choices in your life.

3. You'll Be Able to Reach Your Goals

We all have goals. Whatever your dreams, they likely have one thing in common — you're probably going to need some money if you want them to become a reality. Few of those dreams are achievable if you don't save for them.

4. You'll Be Able to Earn More Money

Saving isn't just about setting aside what you've already earned. It's also about putting your money to work for you. Depending on where you save and invest your money, you can earn more just by being diligent about saving, rather than spending. And because of the power of compounding earnings, even relatively small amounts can grow significantly, provided you don't touch your principal.

5. You'll Be Happier

No one wants to suggest money is the only thing that can make us happy. But there's also evidence that *saving* money, even in small amounts, can make you happier. In contrast, having debt (often a consequence of a lack of savings) tends to lead to more unhappiness.

Convinced that saving for the future is the right thing to do? Please call to discuss how you can make regular saving part of your financial plan.

News and Announcements

From the Flinton Household

"Education is not the learning of facts, but the training of the mind to think."

~ Albert Einstein

My 9-year-old daughter, Emerson, tearfully burst into my bedroom wanting to know what she should write about for her class "Mayor" speech that the 3rd graders engage in each year. Having no prior public speaking experience (wink, wink) I told her I had no idea what to write about, but that if anyone could figure it out, it was her. She rapidly left the room and trudged to her own room to get to work. Shortly thereafter she returned with a wide grin on her face and a typed sheet of paper with her Mayor speech completed. She wanted to deliver the speech to me, as a chance for her to say it a couple times to get comfortable. I was extremely proud of her effort and her work. She was facing a difficult task and she alone worked through it, put forth her best effort, and completed it proudly to her satisfaction. The only appropriate response was to congratulate her on a job well done. Emerson will deliver a speech that is entirely her own—every word choice, every sentence, every quote. There isn't a single element of that speech that came from someone else, and that is the greatest success. I know there will be countless opportunities for me to "help", provide answers, do some work, and make some "adjustments" with my daughters. This means I will also have countless opportunities to withhold my opinion, let them do the work themselves, and learn to be learners.

Wishing you a wonderful month,

Andrew Flinton, CFP®

From the Rudy Household

This past month, Amy and I attended our 30-year high school reunion in Oklahoma City. We grew up in the same school district but attended different elementary schools. Once we got to junior high and high school, we were at the same school. That makes attending reunions together even more fun!

Although we stay connected with high school friends through social media, it was great catching up in person. With some of the friends, it has been 10 years since we last saw each other in person. Some, we see often. Either way, the conversations just pick up right where we left off. There was a mix of talking about the past and the present. We remembered fun times from long ago and caught up on what's going on in each other's lives right now.

We realized that many of us have children that are near the ages we were in high school. Many of the children were following in their parents' footsteps with activities and post-high school plans. Each time we connect with our fellow classmates, we vow to meet more frequently. This year we agreed to meet again in five years.

Returning home, we were eager to share details of the reunion with our daughters. It was hard for them to imagine that they would have high school reunions of their own one day. I hope they enjoy their reunions as much as Amy and I have.

Chad Rudy, CFP®

From the Wallis Household

I lost my dad a few years ago after a long illness. After a medical emergency in 2006, he was disabled for nearly 13 years until his passing. Even though those 13 years were not easy for my parents, I consider them overtime. The odds were such that he was not expected to survive in 2006. I'm so grateful for those "extra" years.

The extra time allowed him to meet my husband, his grandchildren, and watch them grow. It revealed a softer side of my dad than the tough guy I grew up knowing. When I was little, I remember him being an imposing figure with a booming voice. After his illness, he became warmer and more kind. He appreciated every day because he almost didn't have them.

It was difficult to lose my dad. But after he fought so hard for so many years, he deserved to rest. As time goes on, it's less painful than when it was fresh and it's easier to find happy memories.

I can play some Ronnie Milsap, Lyle Lovett, or Keith Whitley (his favs) and almost hear his deep voice singing along. I smile when I put on a pair of distressed jeans and recall that he always teased me, saying that he thought by now I would be able to afford nicer jeans that didn't have holes. I never told him how much they cost.

I love the poem *The Dash* by Linda Ellis. How are you living your dash?

I read of a man who stood to speak at the funeral of a friend. He referred to the dates on the tombstone from the beginning… to the end.

He noted that first came the date of birth and spoke of the following date with tears, but he said what mattered most of all was the dash between those years.

For that dash represents all the time they spent alive on earth and now only those who loved them know what that little line is worth.

For it matters not, how much we own, the cars… the house… the cash. What matters is how we live and love and how we spend our dash.

So think about this long and hard; are there things you'd like to change? For you never know how much time is left that still can be rearranged.

To be less quick to anger and show appreciation more and love the people in our lives like we've never loved before.

If we treat each other with respect and more often wear a smile… remembering that this special dash might only last a little while.

So when your eulogy is being read, with your life's actions to rehash, would you be proud of the things they say about how you lived your dash?

Jennifer Wallis
Senior Marketing Vice President