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Financial Briefs

DECEMBER 2025

Pump Up Your Retirement Savings

Don't just give up on your retirement goals if you find you've entered middle age with little to no retirement savings. Sure, it may be harder to reach your retirement goals than if you had started saving in your 20s or 30s, but here are some strategies to consider:

- **Reanalyze your retirement goals.** First, thoroughly analyze your situation, calculating how much you need for retirement, what income sources will be available, how much you have saved, and how much you need to save annually to reach your goals. If you can't save that amount, it may be time to change your goals. Consider postponing retirement for a few years so you have more time to accumulate savings as well as delay withdrawals from those savings. Think about working after retirement on at least a part-time basis. Even a modest amount of income after retirement can substantially reduce the amount you need to save for retirement. Look at lowering your expectations, possibly traveling less, or moving to a less expensive city or a smaller home.
- **Contribute the maximum to your 401(k) plan.** Your contributions, up to a maximum of \$23,500 in 2025 and \$24,500 in 2026, are deducted from your

current-year gross income. If you are age 50 or older, your plan may allow an additional \$7,500 in 2025 and \$8,000 in 2026 catch-up contributions, bringing your maximum contribution to \$31,000

in 2025 and \$32,500 in 2026. Find out if your employer offers a Roth 401(k) option. Even though you won't get a current-year tax deduction for your contributions,

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The Psychology of Saving

Saving money sounds simple, and in many ways, it is. You simply set aside a portion of what you earn on a regular basis and watch your money grow. As a result, you're more prepared for emergencies, feel more financially stable, and are better able to achieve the things you want most. But in reality, saving is a little more complicated. Sometimes, our own minds seem to work against us when it comes to setting aside some of the money we earn. That's why a basic understanding of the psychology of saving can help you overcome roadblocks and get you closer to your goals.

Why It's Hard to Save

What is one of the biggest obstacles most people face when it comes to saving? We tend to prefer the certainty and immediate gratification of short-term rewards over the potentially greater — yet perhaps more uncertain — benefits of longer-term rewards. One study found that most adults would prefer to have \$50 today rather than \$100 two years

from now, for example.

Part of the difficulty people face with saving for long-term goals is that they may think of their future selves as different or separate from their current selves. That disconnect can make it hard to prioritize saving for the future. Researchers studying this issue looked at whether encouraging people to think of saving for retirement in terms of a social responsibility to their future self, rather than in terms of their basic self-interest, would lead them to save more. The study found that the former appeal led to higher savings rates. In a related vein, another group of researchers found that seeing pictures of their future selves encouraged people to save more.

In fact, there are a number of studies that suggest that changing our mentality — either about the future or about saving in general — might allow us to set aside more money. One study found that people who adopted a cyclical mindset to

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Pump Up

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qualified withdrawals can be taken free of income taxes. If your employer matches contributions, you are essentially losing money when you don't contribute enough to receive the maximum matching contribution. Matching contributions can help significantly with your retirement savings. For example, assume your employer matches 50 cents on every dollar you contribute, up to a maximum of 6% of your pay. If you earn \$75,000 and contribute 6% of your pay, you would contribute \$4,500 and your employer would contribute \$2,250.

- **Look into individual retirement accounts (IRAs).** You can contribute a maximum of \$7,000 in 2025 and \$7,500 in 2026 to an IRA, plus an additional \$1,000 in 2025 and \$1,100 in 2026 catch-up contributions if you are age 50 or older. Even if you participate in a company-sponsored retirement plan, you can make contributions to an IRA provided your adjusted gross income does not exceed certain limits.
- **Reduce your preretirement expenses.** Typically, you'll want a retirement lifestyle similar to your lifestyle before retirement. Become a big saver now and you enjoy two advantages. First, you save significant sums for your retirement. Second, you're living on much less than you're earning, so you'll need less for retirement. For instance, if you live on 100% of your income, you'll have nothing left to save toward retirement. At retirement, you'll probably need close to 100% of your income to continue your current lifestyle. With savings of 10% of your income, you're living on 90% of your income. At retirement, you'll probably be able to maintain your standard of living with 90% of your current income.
- **Move to a smaller home.** As part of your efforts to reduce your preretirement lifestyle, consider sell-

Pay Yourself First

The advice sounds simple enough — to force yourself to save regularly, treat those savings as a bill to yourself and pay that bill first every month. But when you're faced with a stack of bills that includes your mortgage payment, car lease, and groceries to feed the kids, you're likely to skip paying yourself for at least another month. Unfortunately, those months can add up with little in the way of savings. Here are some ways to start paying yourself first:

- **Reduce spending, diverting those reductions to savings.** One way to accomplish this is to cut back on your spending, perhaps reducing your expenditures for dining out, entertainment, traveling, or clothing. But for many people, this feels too much like sacrifice, making it difficult to stick with this strategy. Another alternative is to find ways to spend less for the same items. For instance, get quotes for your car and home insurance from several companies, placing any premium reductions in savings. Or

find ways to reduce your borrowing costs.

- **Save all unexpected income.** Immediately save any money you receive from tax refunds, bonuses, cash gifts, and inheritances. Before you get used to any salary increases, put that raise into savings.
- **Make saving automatic.** Resolve to immediately set up an investment account that automatically deducts money from your bank account every month. Start out with small amounts that aren't even noticeable. As you get used to saving on a regular basis, increase the amount periodically. Another good alternative is to sign up for your company's 401(k) plan. *(Keep in mind that any automatic investing plan, such as dollar cost averaging, does not assure a profit or protect against loss in declining markets. Because such a strategy involves periodic investment, consider your financial ability and willingness to continue purchases through periods of low price levels.)* ■■■

ing your home and moving to a smaller one, especially if you have significant equity in your home. If you've lived in your home for at least two of the previous five years, you can exclude \$250,000 of gain if you are a single taxpayer and \$500,000 of gain if you are married filing jointly. At a minimum, this strategy will reduce your living expenses so you can save more. If you have significant equity in your home, you may be able to use some of the proceeds for savings.

- **Substantially increase your savings as you approach retirement.** Typically, your last years of employment are your peak earning years. Instead of increasing your lifestyle as your pay increases, save all pay raises. Anytime you

pay off a major bill, such as an auto loan or your child's college tuition, take the money that was going toward that bill and put it in your retirement savings.

- **Restructure your debt.** Check whether refinancing will reduce your monthly mortgage payment. Find less costly options for consumer debts, including credit cards with high interest rates. Systematically pay down your debts. And most important — don't incur any new debt. If you can't pay cash for something, don't buy it.
- **Stay committed to your goals.** At this age, it's imperative to maintain your commitment to saving. Please call if you'd like help reviewing your retirement savings program. ■■■

The Psychology

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saving, where they focused on making saving routine in the short term, saved more than people who set more ambitious longer-term goals. Those with a traditional linear mindset saved about \$140 over two weeks, while those with a cyclical mindset saved \$223 over the same time period. Overall, the evidence seems to suggest that if we can change the way we think about the future, and our future selves, we may be able to boost savings rates.

The Psychological Advantage of Saving

Once you commit to saving, there's a good chance that you'll see a psychological boost from doing so. A survey by Ally Bank found that 38% of people with a savings account reported being extremely happy, compared to only 29% of people who didn't have a savings account. That same survey found that 82% of people reported that saving made them feel independent. Those feelings of success, well-being, and independence may in turn lead to even more saving. In fact, feeling powerful and having high self-esteem can lead people to save more, perhaps because increasing their net worth and financial stability helps people maintain their powerful feelings.

There might even be a formula for spending and saving that could lead to more happiness. Ryan Howell, a professor of psychology at San Francisco State University, found that happy people tended to demonstrate a particular pattern of spending and saving, earmarking 25% of their money for savings and investments, allocating 12% to charitable giving or gifts to others, and spending about 40% on life experiences that they considered meaningful.

While our mental quirks might sometimes make saving difficult, being aware of the obstacles our mind throws in our way can help us find our way around them. And that may lead to greater savings and increased happiness overall. ■■■

Use Conservative Estimates

How can you ensure you'll have sufficient funds to last your entire retirement? So many of the variables used to calculate this amount seem uncertain. What is a reasonable rate of return for your investments over the long term? How long will you live, knowing life expectancies are increasing? How much can you count on from Social Security and pension plans? If you're concerned about running out of money during retirement, you need to be very conservative with your assumptions. Some tips to consider include:

- **Assume your retirement income needs to be at least 100% of your current income.** Most rules of thumb indicate you'll need between 70% and 100%, but figure on at least 100% to be safe. Nowadays, retirees want to travel, pursue hobbies, and live an active lifestyle, which generally means you'll need the higher end of these estimates.
- **Add a few years to your life expectancy.** You should probably plan on living until at least age 85 or 90. If your family has a history of longevity, add a few more years to these figures. While you may find it hard to believe you'll live that long, you don't want to reach age 75 or 80 and find out you've run out of money. At that point, you might not be able to return to work.
- **Reduce your estimates of Social Security benefits.** While Social Security is currently in sound financial condition, that is expected to change after all the baby boomers retire. To be safe, count on benefits that are somewhat less than the Social Security Administration is estimating, and don't plan on adjustments for inflation.
- **Cut back on living expenses**

now. This has a two-fold impact on your retirement. First, it frees up money to set aside for retirement. Second, you get used to a lower standard of living, which should also reduce your expected lifestyle for retirement.

- **Reach retirement with no debt.** Mortgage and consumer debt payments consume a significant portion of most people's income. Pay off all those debts by retirement and you significantly reduce your cost of living.
- **Forget about early retirement.** Saving enough to last from age 65 to age 85 or 90 is a difficult task. Trying to retire at age 55 or 60 is just not practical for most individuals, unless you're willing to significantly reduce your lifestyle. Working a few more years can go a long way in helping to fund your retirement. Those years are typically your highest earning years, so hopefully you'll save significant sums during that period. Also, every year you work is one year you don't have to support yourself with your retirement savings.
- **Consider working during retirement.** Especially during the early years of retirement, you should consider working at least on a part-time basis. Even modest earnings can help significantly with retirement expenses.
- **Plan on taking conservative withdrawals from your retirement assets.** Don't plan on taking out more than 3% to 4% of your balance annually. Your funds should last for decades with that level of withdrawal.

If you'd like to review your retirement plans in more detail, please call. ■■■

News and Announcements

From the Alexander Household

As our children are growing up, we are evaluating our Christmas traditions. We're keeping our favorites from both families and those that evolved with our children.

My mother collected Nativity sets from around the world and my mother-in-law loved decorating for Christmas. We surround ourselves with some of their favorite things.

My parents served on the board of Guthrie's Pollard Theatre and I serve on Lyric's, so we see "A Christmas Carol" at both theatres. One of Luke's favorite traditions is building gingerbread houses, which you will not be surprised to learn he has made into a competition.

We wish you a joyous Christmas as you celebrate your holiday traditions.

Carol Ringrose Alexander, CFP®
AIF®, CEPS, RLP®, CDFA®, CCFC
Executive Vice President

From the Rudy Household

If you've been reading these newsletters for a while, you may remember my enthusiasm for my Big Green Egg. I truly loved its incredible versatility. Whether I was smoking a brisket, stir-frying vegetables, or baking a wood-fired pizza, it was a staple of my week-ends. However, life got busier, and my usage slowed down. I sold it a few years ago and spent the last couple of years entirely "grill-less."

Recently, I felt ready to return to outdoor cooking, but with a different approach. This fall, I decided to purchase a quick-prep gas grill. These units have come a long way and now offer similar versatility to the "Egg." They can grill, griddle, and even bake pizzas, but with the instant speed of gas.

Although the cool weather has limited our outdoor time slightly, we've already begun to make good use of the new grill, and I am already looking forward to firing it up more frequently this coming Spring. My daughter, Megan, is particularly excited. She has been doing a lot of cooking while away at college and is eager try her hand at grilling when she comes home. She loves a good steak and has been diligently watching YouTube tutorials to perfect her technique.

I admit that part of me misses the distinct ritual and flavor of lump charcoal, but right now, I am really en-

joying the efficiency of this new chapter in grilling.

Chad A. Rudy, CFP®
Executive Vice President - TX

From the Peralta Household

As I write this, I'm preparing to run my second marathon of the year. Back in April, I completed the OKC Memorial Marathon and promised my knees I wouldn't do another one, but here we are, gearing up for the Route 66 Marathon.

I've really grown to enjoy the training that comes with preparing for a marathon, and I'm excited to see how my time compares this go-around. I also love tackling hard things and pushing myself to improve; it's amazing how that mindset makes everyday challenges feel so much more manageable.

Beyond this upcoming race, I'm looking forward to spending quality time with my family over the holidays. I say this often, but I truly can't believe the year is already coming to a close. From my family to yours, we wish you a wonderful holiday season and look forward to all the possibilities the new year will bring.

Alexx V. Peralta, CFP®
Financial Advisor

