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Financial Briefs

JANUARY 2026

Watch Out for Retirement Derailers

To make sure your retirement isn't derailed, consider these tips:

1. Start saving now. Because of the power of compounding, starting to save for retirement just a few years earlier can make a huge difference at the end.

For example, a 30-year-old puts $400 per month into a tax-deferred retirement plan (like a 401(k)), which generates $1,015 per month in retirement income for 30 years beginning at age 65. For the 35 years that the individual is saving (from age 30 to 65), she will have contributed $168,000 to the account. A 45-year-old makes the same amount in total contributions ($168,000 at a rate of $700 per month) to the same retirement account. Even though she has contributed the same dollar amount, because her savings compounded for 15 fewer years, she has about 20% less during retirement.

2. Save now to spend later. This is where it's critical to make a budget for current expenditures, a retirement budget, and a plan for how to make retirement work. That plan may involve trimming current expenditures, scaling back retirement expectations, or both.

3. Prepare a retirement plan. Unless you plan to work until the day you die, a retirement plan should be an integral part of your overall financial plan — and no matter what your circumstances, a financial plan is a very important way to decrease the likelihood that your life plans will be derailed by unexpected circumstances.

Think seriously about things you might want to spend money on before or during retirement — like helping out grown children or grandchildren — and then build that into your retirement plan. Obviously, unexpected circumstances do arise, but if you can anticipate that your children or grandchildren might need help and you are willing to help them, include that in your financial plan.

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Start Longevity Planning Now

Just because we are living longer doesn't mean we're going to remain healthy throughout our longer lives. And as we all know, health care costs money — lots of it. With a longer life comes the greater likelihood of needing assisted living or long-term care.

Plan Now for a Long Life

Some things you can do to plan for a long life come down to repositioning your assets as well as your approach towards life.

For example, lifestyle factors can contribute significantly to both how long you live and the quality of life you lead. Areas where most of us could easily pay more attention include lower caloric intake, higher vegetable and fruit consumption, a higher fiber diet, lower body fat, and regular exercise.

Furthermore, research has revealed that as you age, learning new skills can help protect the brain against age-related memory decline and dementia. This is particularly important during retirement when you no longer have the work-related cognitive challenges that kept your mind active. Brain-stimulating activities include doing crossword puzzles, playing video games, learning a new skill such as cooking or ballroom dancing, or learning a foreign language.

Studies have also found that people who feel the most socially connected are four times less likely to develop serious illnesses.

Finances

Now is a good time to think about your priorities and align your assets to support your personal goals (not just your financial aspirations). In fact, you may need to reposition your assets to accommodate a longer life with fewer assets than you previously thought.

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Retirement Derailers

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4. Review the implications of taking Social Security benefits before reaching full retirement age. For people who are near retirement age and lose their jobs, taking Social Security at age 62 probably seems like a far better idea than trying to get a new job at that age. But it's important to understand that while the government will let you start taking benefits at age 62, you will be penalized for it: for an individual born in 1960 or later who retires at age 62 instead of age 67 (full retirement age), his monthly benefits will be reduced by 30%.

5. Have a candid conversation with your parents or other family members whom you might care for in old age. Discuss how they want to be cared for and the means they have to pay for such care. Urge them to consider long-term-care insurance, which can greatly ease the financial burden of paying for their care.

If you have already been impacted by a retirement derailer — or any other circumstance that has impacted your retirement plans — here are five ways you can get back on track:

1. Take advantage of catch-up provisions. If you are 50 or older, you can contribute more tax-deferred income to a 401(k) or IRA (these are so-called catch-up contributions). In 2026, you can contribute $8,000 more to a 401(k) or 403(b) plan and $1,100 more to an IRA.

2. See where you can trim expenses to save more. Boosting your savings to get back on track for retirement might be easier than you think: most of us spend more than we realize on discretionary items like meals out, clothing, travel, and other personal expenditures. Take a hard look at your budget and see where you can cut back — even $100 per month can make a difference in your retirement savings.

3. Evaluate your investment choices. Review your current asset allocation. Many individuals close to retirement pull money out of the stock market and miss out on significant investment opportunities. That said, you want to ensure your asset allocation is appropriate (not too heavy in equities) given your age and target retirement date.

4. Reevaluate your retirement lifestyle. Most financial advisors recommend that you be able to replace at least 70% of your preretirement income during retirement. So if you planned to spend 85% of your current income in retirement, you might be able to scale back and still retire comfortably.

5. Work longer. When Social Security was created in 1935, the average American 65-year-old man could expect to live to age 78 and the average American woman to 80. Today, the average American 65-year-old man can expect to live to 84.3 and the average American 65-year-old woman to 86.6 (Source: Social Security Administration, 2022). In that context, working five more years might not be such a sacrifice — and it can make a big difference in the retirement lifestyle you can afford.

No matter where you're at on the path to retirement, or whether you've been derailed or not, please call to discuss this in more detail.

What Kind of Retirement Do You Want?

Retirement is no longer viewed as a time to slow down, but is now considered a new beginning in life. That means your current living expenses may have very little to do with your retirement expenses. To help you visualize your retirement lifestyle so you can estimate your retirement expenses, consider these questions:

- When do you want to retire? Will you realistically have the resources to retire at that age?
- Do you plan to stay in your current home, trade down to a smaller one, or move to a different city? If you plan to move, is the cost of living there more or less expensive than your present city?
- Will your mortgage be paid off by retirement? What about other debts?
- Will you continue to work after retirement? If so, will you work part- or full-time? Where will you work and how much can you expect to earn? Do you have any hobbies or interests that can be turned into paying jobs? Are you planning to start a business after retirement?
- How will you spend your free time? What hobbies will you pursue? How much and where will you travel? How much will all these activities cost?
- How will you pay for medical costs? Will your employer provide health insurance or will you need to purchase insurance to supplement Medicare coverage?
- Do you have any medical conditions that are likely to impact your quality of life in retirement? What would you do if you became physically disabled? Would your spouse take care of you, would you move in with your children, or would you go to a nursing home? How will you provide for long-term-care costs?
- How much of your income will be provided by personal investments including 401(k) funds? Are you confident you can invest so those investments will last your entire retirement?
- What would happen financially if your spouse dies? If you die, would your spouse be able to support himself or herself financially?

Answering these questions should give you a clearer picture of what your retirement will be like. If you'd like to review these questions in more detail, please call.

Start Longevity

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When thinking about reevaluating and establishing financial goals, it shouldn't just be about seeking a 10% average annual return on your investments over the next five years. You should consider what you actually want to do with your money. What is the purpose of it — to live out your life comfortably and secure, or to live in luxury, entertain, and travel extensively? The latter lifestyle may no longer be your priority, so before you determine what changes to make to your finances, it's important to establish what you want from your life.

Even in retirement, your portfolio may need to be positioned for both growth and security. Growth to meet the challenges of a long life and the impact of long-term inflation and health care, but also sources of secure income to ensure that your daily essential living expenses will be met.

Insurance

During this continuing era of slow economic growth, remember that one of the key components to managing wealth is managing risk. In addition to the traditional sources of retirement and estate planning, consider today's popular insurance options, such as annuities, long-term care, and life insurance policies.

A Lifelong Plan

Life is long, and it's getting longer with each generation. They say that life gets in the way of even the best-laid plans, and it's true. Every plan, even a financial plan, requires tweaking and adjusting periodically to account for current events. However, your personal goals may well remain the same for the rest of your life. So if you establish the purpose of your money — what it is that you want out of life — then you can reposition your assets to help you reach those goals.

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

Tax-Deferred Compounding

When considering your retirement, it's good to remember that there are two keys to creating more wealth from the same starting point and the same amount of resources. One, compounding, is a gift of the laws of mathematics. The other is a gift from the government: tax-deferred compounding.

You compound your investment returns when you reinvest them instead of spending them. If you earn 5% a year on $10,000, that's $500. Over 10 years, you've made $5,000. If you spend it rather than invest it, you will be no better positioned for retirement.

Reinvesting those earnings can make a big difference. Let's say that in the example above, you're generating income in a taxable account and your tax rate is 24%. That means that out of your earnings of $500 a year, you net $380 after taxes. Let's say you reinvest it all. After 10 years, your account value will have grown to nearly $14,520, which is a total return of 45.2%.

Tax deferral makes it even better. Individual retirement accounts and 401(k) plans were designed to encourage Americans to save their own money for retirement. The incentives were two-fold. The first was granting people an income tax deduction for their contributions. But the second was the most powerful by putting off taxes on investment earnings and capital gains until the money is withdrawn in retirement.

Returning to our example, let's say your money is in a tax-deferred retirement account, like a 401(k) or an IRA, still earning 5% a year. The tax-deferral feature of these accounts means you can reinvest the entire $500 your portfolio earns every year. Now, after 10 years, your account is worth $16,470, 13% more than the $14,520 that built up in the taxable account at the same pre-tax rate of return.

So here are some ways to get the maximum benefit out of tax-deferred accounts:

- **Start early.** Time favors savers. Even small amounts contributed on a monthly basis can grow to substantial amounts when you start at an early age. If you're 25 and you contribute just $25 a month to an IRA or 401(k) that earns an average of 8% a year, by the time you're 65, your balance could equal more than $351,000. That's over $55,000 more than you'd build up if you contribute $500 a month — 20 times as much — but waited to start until you were 45. Starting early also means you can afford to trade more risk for higher returns, since you have more time to make up for any losses along the way.
- **Put away as much as you can.** Maximum contributions to IRAs are $7,500 if you're under 50 years of age and $8,600 if you're 50 or older. For 401(k) plans, the maximum is $24,500 in 2026 and you can contribute another $8,000 if you're 50 or older (if permitted by your plan). And remember: while there are income-based limits on how much of a tax deduction you'll get, those limits don't affect how much you can contribute to your IRAs. Since tax-deferral provides the bulk of the benefits of retirement accounts, it's smart to push toward the maximums even without the full income tax deduction.
- **Maximize any employer matching contributions.** Not all 401(k) plans feature a matching employer contribution, but if yours does, do everything you can to qualify for the maximum match. It's like free money, and it's an instant boost to your effective rate of return.

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

News and Announcements

From The Thurman Household

Levi continues to compete hard in tournaments. He competed in the pro league in New Orleans this month. The competition was top notch, and he had a bye first round and lost 5-0 second round. He then went to Dallas in a similar tournament where it was submission only. There he won 2 and lost 2.

Pati is preparing for a 20-mile hike. It will take place in February at Pinnacle State Park in Arkansas. She is also directing the Rose Rock trail event in January. She has directed this hike for many years with the proceeds going to the YMCA.

My book, *Retire with Confidence*, is at the publishers. Even so, it is not expected to be out until May. Quite a long process. My current writing project is *How the Ranch Hand Became a Millionaire: The 7 Steps to Becoming Financially Independent*. Along with writing, I'm also playing pickleball about every chance I get. Some days, I think I'm really playing well. On other days I feel like I'm moving around the court in snowshoes wading through peanut butter.

Life is good.

Randy L. Thurman, CFP®
CPA/PFS™, CEO

From the Flinton Household

Like so many, our family traditions during Christmas break are a balance between down time and activity. We have certain movies we watch at certain times, specific foods that will be made and consumed no matter what, The Nutcracker at the Civic Center is a must, along with many other family traditions sprinkled in. There is also plenty of laying around, eating, reading, ruminating and planning. Winter break is always a time of rejuvenation, however by the end of the break everyone is ready to get planning and moving towards the next goals for the upcoming year. Much like the Nutcracker, I sense that with the girls in 7th and 9th grade, we are slowly coming to the end of Act 1 and are about to begin Act 2. The childlike wonder for all of us still looms large, and I also know that as I've said for a very long time… little girls don't stay little girls for long. It's fun for me that my daughters are now at the age where so many of our conversations are trending towards learning more and more about business, finance, group and interpersonal dynamics, organizational culture, goal setting, achievement, life purpose, and most importantly overall well-being and joy. In our company I like to continually as the question, "What do we want to be when we grow up?" This is a common question in our home, for all of us, and helps us to stay present and focused on nurturing those things in life that are of most important to us, while at the same time recognizing the beauty in continually striving for our own personal self-actualization. As we celebrate the 35th anniversary of Retirement Investment Advisors, we look forward to continually improving and striving toward our company's future, and I can't help but notice that organizationally, we are just about to begin our very own, 2nd Act.

Andrew K. Flinton, CFP®
President

From the Bolander Household

Happy New Year! Just a little reminder from your personal financial advisor…This is the perfect time to refresh your money habits and set your finance and spending goals (aka budget) for the year. Such an undertaking can seem like a mundane exercise or even an aggravating repeat of last year, but consider a new approach. In Bob Buford's book Half Time, Moving from Success to Significance, his "half-time drill" is a series of questions for taking stock of where you are today, how you got here, and what is next. Some of his questions are: What do I want to be remembered for? Am I living a balanced life? What is the primary loyalty in my life? What do I want for my children?

In the chapter on regaining control, Buford explains there are two kinds of capital each of us has to spend. "Economic capital is the money and time for leisure that you earn by working [and saving, as you all know!] … Social Capital is the time, money, and knowledge you have available to reinvest or spend in the community that nurtures you." At Retirement Investment Advisors, Inc., we like to think of this as using our time, talent and treasure to bless others. Linking your Social Capital goals to your annual finances can add excitement to your budgeting process. Wishing you all a meaningful and prosperous new year!

Brenda C. Bolander, CFP®
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Executive Vice President