



BEACON FINANCIAL



FINANCIAL EDUCATION

FINANCIAL INDEPENDENCE

Close your eyes, picture your retirement. What do you see?

Each of us has a different view of what retirement looks like. Some imagine sitting on a beach, drink in hand, looking into the horizon with a feeling of peace and security. Others imagine a home full of grandchildren and visions of future generations with less worries and fears about how their own retirements will turn out.

We all strive for financial independence regardless of how we individually define what it indeed looks like to us. Many believe there will be lots of years of work for the simple goal of retiring on your desired terms. It is true that planning retirement can seem daunting, because discipline and consistency are necessary to achieve goals. We all know that, yet statistics tell us that it doesn't happen all that often.

In fact, knowing all the stats, does it really matter? If you are unique, then your goal is to ensure that you can meet your goals. As an individual / family you have the opportunity to be self-reliable. The question then becomes, what do I need to do to achieve those goals?

One of today's realities, as we discussed last month with people living longer, it is possible to be retired for more years than you served as an officer. The other reality is recent pay increases have not kept up with the cost of living, so over time the price of life (food, clothes, etc) rises faster than one's ability to pay for it.

So, what's a person to do?

Start by looking back on the last month to see how much you've spent. Take the time to review your checking and credit card account statements. Check out expense-tracking-services-review.toptenreviews.com, a site that gives you the best of expense tracking mobile apps.

Once you know what you spend during a typical month, subtract any Social Security payments you and your spouse or partner expect to receive in retirement (find estimated amounts at the Social Security website). Be sure to subtract any pension payments you know will be coming your way as well.

Take the remaining amount and multiply by 200. The result is what you will need to have in savings, investments, and retirement accounts before you can retire comfortably.

Expressed in a formula it is:

$(\text{Monthly spending} - \text{Expected Monthly SS/Pension}) \times 200 = \text{Target Retirement Amount}$

So can you retire comfortably?

You can use a similar variation of this formula to see how you are progressing towards your goals. Just as before, start with your typical monthly expense amount. The below gives you where you should be...

In your 20s: Current Monthly Spending x 10

In your 30s: Current Monthly Spending x 25

In your 40s: Current Monthly Spending x 50

In your 50s: Current Monthly Spending x 100

Once you have assessed what you need, be sure to pay yourself first, and don't wait any longer to take advantage of the deferred compensation programs offered to you. Make sure your investments are in line with your risk tolerance and your goals. Review them periodically to ensure that you are always on track and if not make the necessary changes.

No matter where you are in life, being more financially educated can help you decide where to place your money, which tools to utilize, and how to achieve your goals. Research has shown that large portions of the American public do not understand basic concepts of financial literacy. Defined as the ability to use knowledge and skills to manage financial resources effectively, financial education is a fundamental skill that even today is rarely covered in schools. For many, it's something you learn as you go through life. Sadly, many never get the education they deserve.

If it feels like you're living paycheck to paycheck, you can't seem to get ahead with your loan payments, or you are not making headway on reaching your goals; it's a good idea to invest some time in learning the basics of financial education.

In the next part of the series, we are going to discuss the value of money and what it means to you over your lifetime.

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