

Retirement: Your Permanent Vacation

Condensed Version



Power Over Life
Life Skills That Put YOU in Control

BECOME A MONEY MANAGER

1. Start Budgeting
2. Save for Everyday Life
3. Become Debt Free
- 4. PLAN FOR RETIREMENT**
5. Invest Wisely

Introduction

All frequent travelers have one thing in common. They all know that it takes time to prepare for a *good* vacation. Travel, lodging, activities and dining are all needing to be arranged. Education and preparation is needed to creating a great vacation.

Retirement is like a permanent vacation. Education and preparation is also the key. I hope you use this article as a “launching point” to help you learn more and get your retirement plan back on track.

Welcome to Retirement Basics 101. Our class syllabus goes like this:

Syllabus Item #1 – Create Your Dream

You need to create some motivation to learn about and then get your retirement going.

Your Dream – Having property in the mountains? Snowbird, going back and forth where your children live? Permanent houseboat on Lake Powell or living on an island in the Caribbean?

Let Your Dream Motivate You - Whatever your dream is, take a mental snapshot and keep that memory close, until you get there. Let your dream motivate you to get educated and ready for your permanent vacation.

ACTION STEP: Figure out your dream and **write it on your heart.**

Syllabus Item #2 – Get Financially Ready

You need to position yourself to really make strides at your retirement goals. [Learn how to budget](#) and [save money](#) regularly. I also hope you are [out of debt](#) (or have minimized your debts to where they fit comfortably in your budget).

ACTION STEP: If you haven't already, go through the first three steps of becoming a personal [Money Manager](#) before you move on.

Syllabus Item #3 – The “Meat” of the Subject

There are some basic principles that you need to know about retirement planning. There is more to all of this. Use this knowledge to educate yourself and then launch from here.



Power Over Life is your online life coach! **BECOME A MONEY MANAGER**

Types of Retirement Plans

1. **401(k) Plans** – Employer-sponsored plans that allow you to contribute a portion of your paycheck into the plan. You can contribute on a **pre-tax** (Traditional) or **after-tax** (Roth) basis. These plans are popular, they have higher contribution limits, but there are higher fees and early withdrawal fees.
2. **Individual Retirement Accounts (IRAs)** – These are great retirement vehicles for those who don't have access to an employer-sponsored plan or to play a complementary role to one of those plans. There are **pre-tax** and **after-tax** options. These plans have lower contribution limits, lower fees, but early withdrawal fees.
3. **Defined Contribution Pension Plan (DC)** – Employer-sponsored plan that is based on a defined contribution; a specific dollar amount given to you each year. This type of account is financially safer for the employer, more easily calculated, and can be designed differently.
4. **Defined Benefit Pension Plan (DB)** – Employer-sponsored plan that is based on a specific level of benefit when you retire, depending on the years of service you provide for the company. Provides a steady benefit after you retire. Long-term employees are rewarded heavily.

Retirement Terminology

- **Accrued Benefit** – A benefit that has been earned, but not paid yet.
- **Actuarial Analysis** – Examination of risk, making educated predictions for retirement benefits.
- **Age of Retirement** – In the U.S. Age 62 = early retirement; 66 = normal retirement.
- **Annuity** – A fixed sum of money paid each year; often a form of investment or insurance
- **Beneficiary** – Person (or entity) who receives the assets of the deceased person.
- **Blackout Period** – You can't make changes to your account, while changes to the plan occur.
- **Compound Interest** – Calculated on the initial amount **plus** accumulated interest gained.
- **Rollover** – Funds are sent from one retirement plan to another.
- **Trust** – A legal entity, which helps distribute assets after you die.
- **Vesting Schedule** – A schedule of when you, the employer, have "earned" the contributions.

Retirement FAQ's

Q: How much do I need to retire?

A: You need as much as you can to survive, and then some (depending on your level of comfort). It is recommended to aim for 70% - 90% of your pre-retirement annual income.

Q: What is the average retirement savings?

A: According to the GAO (May 2015) Americans between 55-64 had \$104,000 saved for retirement (that's not enough).

Q: What constitutes early retirement?

A: In the U.S. if you retire before the age of 66, you have retired "early". Medicare/Social Security starts at age 66.

Q: How to retire early? What can I do?



A: You work hard, sacrifice, and become financially independent. You do that by budgeting, saving money, getting out of debt, and learning how to save for retirement and invest. Smart money management will help you retire early.

Q: What are the best retirement plans?

A: There is no “best” retirement plan. The best plan is the one that you have access to and that you use often. The worst plan is the one that you have access to, and don’t use it.

Q: When can I retire?

A: You can retire whenever you want. No one forces you to work if you have the funds to survive. However, in the U.S. age 66 is when Medicare and Social Security start, so many feel that this is the age to finally retire.

ACTION STEP: These are good questions, terminology, and types of plans to know about before diving into the retirement planning scene. Launch from here and study more.

Syllabus Item #4 – Your Plan of Action

These following steps will help you get fully prepared to start saving for your permanent vacation:

1. **Talk to your Employer** – Find out if they offer a retirement plan. If they do, get specifics about it.
2. **Talk to an Adviser** – Find one you trust. Work through the details of your employers’ retirement plan and decide together if you should participate. Also discover other options with them.
3. **Stay Financially Ready** – Continue to budget, save money, and stay out of debt so that you can contribute towards your permanent vacation every year.
4. **Sacrifice for the Greater Good** – Sacrifice something this year so that you can put more into your retirement plan. Sacrifice today for an even better vacation later.
5. **Start Contributing to your Retirement** – Now that you have learned it; go do it. Start contributing *this year*. Don’t wait. Let compound interest do it’s thing.

ACTION STEP: Make a commitment to yourself (and a spouse if you have one) to follow these steps and work towards your dreams.

Conclusion

I hope you feel more educated and you understand the basics of retirement planning. You typically plan out your vacations, so make sure you properly plan out and prepare for your permanent vacation.

I want my beach dream, and after working all my life...I will deserve it. You also deserve your dream, no matter what it is.

Managing your money is one of many key skills that put YOU in control...and once you have that control, then you truly have POWER OVER LIFE.

