

Align is an independent fiduciary wealth management firm that helps successful people like you keep and grow your wealth. Our process combines decades of financial science with customized financial planning. We strive to deliver peace of mind by helping you make the most of your one financial life.

# WEALTH WATCH

SUMMER 2021

## Retirement Planning Decade by Decade

“Many retirees believe they will not live long enough to outlive their savings or accumulate a large amount of healthcare costs.”

Source: Center for Retirement Research at Boston College, July 2020

**R**ETIREMENT PLANNING IS a lifelong process. Below are some of the key retirement-planning actions you need to be taking from your 20s through your 60s.

### Your 20s

Start saving. The sooner you can start saving for retirement, the less you'll have to save overall. If you start saving \$5,000 per year at age 25, you'll have just under \$775,000 by age 65, assuming annual returns of 6%. Wait until age 35 to start saving and you'll have about \$395,000 — more than \$300,000 less. Also, since you're still decades away from your retirement date, don't be afraid to take some risk with your investments. You'll have to stomach some ups and downs, but earning higher returns from equity investments now means more money as you get older.

Other steps to take when you're young: start budgeting, avoid debt, and save for other goals, like buying a house. Even if you're not earning a lot right now, adopting healthy money habits today will pay big dividends later in life.

### Your 30s

As you enter your 30s, your income is probably heading upward and your life is beginning to stabilize. You may find that you can contribute more to your retirement savings accounts than you could in your 20s. As your income increases, consider increasing your retirement contributions by the amount of your annual raise so you don't fall behind on saving. Reassess your savings rate and consider meeting with a financial advisor to make sure you're saving

as much as you can — and investing it well.

### Your 40s

You're at the halfway point to retirement. If

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## Pension Plans vs. 401(k) Plans

**A**PENSION PLAN HAS become exceedingly rare, or at least that's the conventional wisdom. But that doesn't mean pensions are not still an important retirement planning tool for many people. While it's true that few private sector employers offer pension benefits for new hires, they are still common for people who work in the public sector. Many older people also have some pension benefits, perhaps from a previous employer. So, although pensions aren't available to everyone, they are still an important part of the retirement planning mix for millions of Americans.

Whether you have a pension, a 401(k) plan, or a combination of the two, you may be wondering which is better. The answer is it depends.

### The Difference Between Pensions and 401(k) Plans

What separates a pension plan from a 401(k) plan? A pension is a defined benefit retirement plan. Your employer contributes money throughout your working years in a pot with all other employees' money. The money is then invested on behalf of you

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## Pension Plans vs. 401(k) Plans

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and your co-workers. When you retire, you receive a predetermined monthly benefit based on your length of service, salary, and age. Your benefit is guaranteed, but you don't have any control over how the money is invested.

With a defined contribution plan, like a 401(k) plan, you (and your employer if they offer matching contributions) set aside money in a special account. You can then invest that money in options available in the plan. Unlike a pension, the amount you receive when you retire depends on the amount you save and the investment returns you receive.

### Pros and Cons: Pensions

At first glance, pensions seem superior to defined contribution plans. After all, you get a guaranteed benefit that lasts for the rest of your life after you stop working. A pension eliminates the risk of outliving your money or losing all your savings because of a market crash or an investing mistake.

But pensions have their downsides too. One of the biggest is that you can't control the investments. That means that if

you're a savvy or aggressive investor, you could be missing out on possible gains. Another drawback? If you leave your employer before a certain time (called your vesting period), you lose access to all or a portion of your benefit. Finally, if your employer runs into financial distress or goes out of business, your benefit may be far less than you anticipated.

### Pros and Cons: 401(k) Plans

Employers love 401(k) plans since they take the responsibility for managing employees' retirement off of the employer and put it onto the workers. Many employees like 401(k) plans too, since they can control how much they save for retirement and how it is invested. And the money you contribute is yours — you won't lose it if you change jobs (although you may lose matching contributions, depending on how long you've worked for your employer) or face the possibility of reduced benefits if your employer goes bankrupt. Finally, you can pass on any money left in your 401(k) plan to your heirs. That's not the case with a pension, where the benefits end after the pensioner or the pensioner's spouse dies.

But 401(k) plans have their disadvantages as well. First, you need to be motivated enough to set aside money from your paycheck — money you could be spending today — for retirement. Many people struggle with this, either putting off saving or not saving enough. Another problem? Many people don't take enough risk with their retirement savings. If you stick with cash or low-interest bonds, your returns likely won't be high enough to generate the income you need in retirement.

Defined benefit and defined contribution plans each have their pros and cons. Whatever type of retirement plan you have access to, it's essential to understand how it works and what your responsibilities and options are. Please call if you'd like to discuss this in more detail. *vvv*



## Everyone's Plan Is Different

**E**VERYONE'S GOALS FOR retirement are different. Maybe your dream is to travel the world; maybe it's to live closer to your grandchildren. Maybe your plan is to while away the days fishing or quilting; perhaps you're planning to take up a second career. Maybe your goal is to save enough to leave a substantial sum to your beneficiaries. Whatever your dreams are, your retirement plan needs to reflect them — and because your dreams are uniquely yours, your retirement plan should be, too.

The biggest question most people have about retirement is: how much do I need? While that's not the only question,

it is an important one. And while using an online retirement calculator is fine to get a very rough idea of how much you might need for retirement, those calculators don't take your dreams or particular circumstances into account; as such, the amount you'll actually need for retirement can vary greatly from the number on the online calculator.

To properly plan for retirement, you have to consider all the options, all the aspects, and all the opportunities. Please call if you'd like to discuss your retirement plan in more detail. *vvv*

## Six Signs You Need a Financial Plan

**A** CLEAR FINANCIAL PLAN helps you prepare for the future, brace yourself for the unexpected, and positions you to pursue your goals. Below are six signs that it may be time for you to get a financial plan.

**You're planning (or just had) a big life change.** New job. New baby. New house. All of those milestones and more are signs you should take a big picture look at your finances. Ask yourself some key questions. Is your emergency fund adequate? Do you have enough insurance? Can you save more for retirement now that you have a new job?

**You're worried about your finances — and your future.** If money worries keep you up at night, a financial plan can help ease your mind. You can regain control over your life by having a clear direction. Your comprehensive financial plan will not only help you see where you stand today, it will also help you plot a path to where you want to be.

**You're making good money, but you're not sure where it goes.** Planning helps you assess what you're spending today and then shows you how you can save and invest some of what you earn to create lasting wealth.

**You have financial goals, but you're not sure how to make them a reality.** Does retirement seem like a distant

dream? Do you wish you could upgrade to a bigger home, send your kids to college without taking on debt, or start a business? With a financial plan, you'll know what you need to do financially to make those dreams a reality.

**You and your partner are fighting about money.** If you and your partner can't see eye-to-eye on money issues, a financial plan might be part of the solution. Meeting with an objective third party, like a financial planner, can help you both recognize where you stand when it comes to your finances, and then negotiate a path forward that works for both of you.

**Your investments and finances are getting so complicated, it's difficult for you to keep track of everything.** Unless you're a trained professional, there's a good chance you're missing out on opportunities or putting yourself at risk. A financial plan, developed with the assistance of your financial advisor, will help you identify the best ways to save, find ways to reduce taxes, and protect yourself against risk. With the help of your advisor, you'll be able to understand your total financial picture and take the steps necessary to achieve your goals. ✓✓✓

## Retirement Planning Decade by Decade

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you've been saving for the past 10 or 20 years, you should have a nice nest egg by now. And if you haven't gotten serious about saving, now is the time to do so. You'll have to be fairly aggressive, but you still have some time to build a respectable financial cushion. Whether you're an accomplished saver or just getting started, you may also want to consider meeting with a financial advisor to help make sure you're saving enough to meet your goals and investing in the best way possible.

A special note: people in their late 40s and early 50s are often looking at steep college tuition bills for their children. Don't make the mistake of sacrificing your retirement goals to pay for your children's college educations. Stay focused and on track so your children don't have to jeopardize their financial future to support you as you get older.

### Your 50s

Once you turn 50, you have the option to make catch-up contributions to retirement savings accounts like 401(k)s and IRAs. You can save an additional \$6,500 a year in your 401(k) plan and \$1,000 a year in your IRA in 2021. That's great news if you're already maxing out your savings in those accounts.

Your fifth decade is also the time to start thinking seriously

about what's going to happen when you retire — when exactly you're going to stop working, where you want to live, whether you plan to work in retirement, and other lifestyle issues. It's also the time to take stock of your overall financial situation. You'll still want to keep saving as much as you can, but you may also want to make an extra effort to be debt-free at retirement by paying special attention to paying off your mortgage, car loans, credit card debt, and any remaining student loans.

### Your 60s

Retirement is just a few years away. If you haven't already, you'll want to dial down the risk in your portfolio so you don't take a large loss on the eve of your retirement. You'll also want to start thinking about a firm retirement date and estimating your expected expenses and income in retirement. If your calculations show that you're falling short, it's better to know before you stop working. You can make up a shortfall in a number of ways — reducing living expenses, working a bit longer, and even delaying Social Security payments so you get a larger check.

Whatever your age, the key to retirement is having a plan and consistently executing that plan. Not sure how to get started? Please call so we can discuss this in more detail. ✓✓✓

## About Align Wealth Management

**A**LIGN WEALTH MANAGEMENT (Align) is a federally registered investment advisor with offices in Oklahoma City, Oklahoma and St. Petersburg, Florida. Our advisors are CERTIFIED FINANCIAL PLANNER™ professionals who can help you manage your investments, plan your retirement, reduce your taxes, minimize your risks, and leave a legacy to your loved ones. Recognized as one of America's best by Financial Times Top 300, Align has developed a solid reputation for its strong client-focused culture.

Our sole mission is to help you make the most of your one financial life. We believe in straight talk, good old-fashioned common sense, intense research, hard work on your behalf, and complete transparency.

Importantly, we serve one master — our valued clients. We don't work for (nor do we accept compensation from) any brokerage firm, insurance company, or financial company. We are a "fee-only" firm, and we never accept commissions for the sale of financial or insurance products. Every ounce of our allegiance flows directly to our clients and every penny of our compensation flows directly from our clients via fully disclosed fees. And speaking of fees, you'll find the total cost of our services to be among the most competitive in the industry.

Bottom line: We work to ensure our clients never run out of money in retirement and help them pass meaningful legacies to their loved ones. We're here to help. ✓✓✓



*Thanks for taking a look!*

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