

Don't let time slip away

As Daylight Savings Time approaches, "Financial Fitness" columnist Thomas J. O'Connell offers timely investment advice

Thomas J. O'Connell, Correspondent | March 8, 2016



March 13 is Daylight Savings Time, so in honor of this, let's talk about time and the role it plays in savings and planning.

Time may be the greatest of all the variables available. Time allows for more money to be saved, gives you a chance to fix mistakes or overcome obstacles and provides you the opportunity of compounding interest. So if you are in your 20s or 30s, now is your time to start saving.

Remember that game we played as kids when we started by saving 1 penny then doubled our savings each of the next 20 periods (day, week or year) and by the 20th period we had over \$1 million. If we could do that over 30 periods, we'd have more than \$1 billion! That is the power time provides us.

The average person spends 34 percent of their income on interest payments alone for things, such as cars, homes, credit cards, student loans. What we've lost sight of is ourselves; we need to learn to pay ourselves first. If a 25-year-old saved

\$2,000 a year until age 50. then stopped saving, earned 4 percent every year, by the age of 67 they would have \$172,630. By age 42, they are earning more in interest each year than they are contributing. By contrast, if this same person waited until age 40 to start saving \$2,000 a year, it would take until age 77 or 37 years to have roughly the same \$172,000. Do you think it will be easier or harder to save money when you are retired?

Time allows our money to compound, earn interest on our interest (yes, I've excluded the issue of taxes in our example, but we will address that next month to celebrate IRS Day on April 15). I know we've heard it a 1,000 times about Albert Einstein saying compounding interest is the greatest mathematical power, and it's true, but only because of time.

What if there are tough economic times ahead and the stock and bond markets don't cooperate like we want them to? Will they come back? Probably, but only over time. If you start saving early and those bad times hit, you have time to recover. If you start later, well, time will be against you, not for you.

I know how tempting the new car is or the luxury vacation or the five-star restaurants, but none of those things will pay your medical bills, your kid's college tuition or provide your retirement income in the future. Carpe diem! Seize the day now for yourself and your family, and start saving today. It can't hurt you to have more money sooner.

To paraphrase the great philosopher Mick Jagger, "Time is on your side, yes it is!" So use it to your advantage while you are still young.

A resident of Bedminster, Thomas J. O'Connell is the president of Parsippany-based International Financial Advisory Group, which offers a variety of retirement planning, wealth management and insurance services. He is also a representative of Comprehensive Capital Management, an SEC Registered Investment Adviser, and a registered representative of Comprehensive Asset Management and Servicing, member FINRA/SIPC, both also located in Parsippany. For more information, visit www.internationalfinancial.com or call 973-394-0623. All information contained herein is for informational purposes and should not be construed as investment advice. It does not constitute an offer, solicitation or recommendation to purchase any particular security.