

The sooner, the better: retirement is simple math

Financial adviser Thomas J. O'Connell crunches the numbers about why saving retirement is better sooner than later

Thomas J. O'Connell, Correspondent | *January 9, 2017*



The New Year is here and it means a fresh start, clean slate, whatever cliché you'd like to use. As often as we hear it, these sayings are based in a certain amount of truth. We are at the beginning of a new chapter of our lives. It is up to us how we write this chapter and ultimately what the final outcome will be.

I didn't want this to be just another New Year's article talking about resolutions and listing the do's and don'ts, so hopefully it doesn't come out that way. But, there is one thing that you should focus on now because time is your biggest variable (asset) if used correctly.

As I've stated previously, the two biggest regrets retirees have are not saving enough during their working years, and not starting their saving process sooner. This is why we are having a retirement dilemma in America today, and this is where time can be your greatest ally. The sooner you start, the less you have to start saving, the more time you have to compound your interest (remember Einstein and the power of compounding interest), the more time you'll have to withstand market volatility and the sooner you can retire!!

What does it take to reach \$1,000,000?

Let's look at the numbers:

- Assume you retire at 65
- Have \$1,000,000 at 65
- Earn 6 percent annual rate of return
- Taxes not included.

Starting at age 20 you'd need to save \$361.04 monthly.

Starting at age 30 you'd need to save \$698.41 monthly.

Starting at age 40 you'd need to save \$1,435.83 monthly.

Starting at age 50 you'd need to save \$3,421.46 monthly.

WOW! Now can you see the difference time makes?

The longer you wait, the harder it is to come up with the kind of savings needed, which creates more pressure, more disappointment and more regret. The sooner you start, the lower the saving threshold needed, the easier it is to come up with the savings amount, the sooner you'll reach your goals, the less stress and strain you'll have and the healthier and happier you will be. Who doesn't want to be healthy and happy in retirement?

I hope this helps you get started on the right path. My best to you and your families for a great and grand 2017.

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. O'Connell is part of the local edition of the nationally syndicated radio show "Your Game Plan to Retirement," which airs 6 p.m. Mondays on WCTC AM Radio 1450 and 7:30 p.m. Thursdays on WMTR AM Radio 1250. 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.