Principals to apply in preparing for retirement

"A prudent person foresees danger and takes precautions. The simpleton goes blindly on and suffers the consequences." Proverbs 22:3 (NLT)

"-------look at the ant. Watch it closely; let it teach you a thing or two; nobody has to tell it what to do. All summer long it stores up food; at harvest it stockpiles provisions." Proverbs 6:6 (The Message)

"------- give me neither poverty nor riches, but give me only my daily bread. Otherwise, I may have too much and disown you and say, "Who is the Lord." Or I may become poor and steal and dishonor the name of my God.
Proverbs 30:8 (NIV)

Keys to improving your financial well being upon retirement

1. Stay married
2. Give back to God first, then <u>automatically</u> set some aside for the future
3. Set clear goals (no plan is a plan to fail)
5. Start saving for retirement <u>early</u>
4. Maximize use of tax advantaged accounts <u>first</u>
5. Take <u>full</u> advantage of employer matches <u>whenever possible</u>
6. Use the five factors affecting your investment return <u>to your best advantage.</u>
   a. Asset allocation (ratio of stocks, bonds, cash reserves)
   b. Diversification (distribution of investments within each asset group)
   c. Investment expenses (Management fees, 12-1b fees, redemption fees etc.)
   d. Time
   e. Taxes

From strategy to execution
(Use internet resources and calculators to help you through each step in the process shown below)

- Establish specific retirement goals (Use internet calculators)
  Projected age at retirement
  Percent of your current salary you desire during retirement years
  Your goal for total retirement saving in $'s
  Percent of your salary you will set aside for retirement

- Take a financial risk tolerance test as an aid in making asset allocation decisions.

- Review a historical record of different blends of stocks and bonds, their performance over time and their relative risk. Based on this review select an asset allocation that fits your time horizon, risk tolerance, and expected rate of return.

- Select a company that will handle your retirement investments if one has not already been selected by your employer.

- Select a fund or funds which will make up each class of assets (stocks, bonds, cash equivalents.)

- Decide which type of tax advantaged account(s) best serves your retirement goals if one has not already been selected by your employer (IRA, Roth IRA, SIMPLE IRA, 401K, 403(b)7.)

- Fill out necessary paperwork for an automatic payroll deduction to be directed to your retirement account <u>and initiate withdrawals</u>.

- Review your progress on a yearly basis to see if you are on track and rebalance your asset allocation unless you are in an investment that does this automatically.

  Things to avoid
  a. Starting and stopping
  b. Chasing higher returns (home run investing)
  c. Trying to time ups and downs in the market
  d. Chasing market trends or sectors (example tech stocks, energy)
  e. Avoid overlapping investments
  f. Early withdrawals from retirement accounts

"Whatever role that savings has in our lives, it should always be secondary to giving and <u>must never</u> be a substitute for trusting God"

(Randy Alcorn-Money Possessions and Eternity)

***My friend Rich Rawlings has also provided an excellent comprehensive explanation of the reasoning behind these investment principles. It is available upon your request.**