ExecTech Management Consulting

To: Practice Owner | **Tips and Ideas** | Monday, January 12, 2015

Retirement Planning Made Easy

According to the Schwab Center for Investment Research, for every $1,000 of monthly retirement income you want, you need $230,000 in retirement savings.

For example, if you can live on $6,000 per month, set a goal to accumulate $1.38 million in savings (6 X $230,000) before you retire.

Based on this goal, you can work out your monthly savings quota. Subtract your current savings amount from the goal and divide by the number of months you want to work before retiring.

For example, you need $1.38 million in savings and have $450,000 thus far. So you need $930,000 more. You want to retire in 216 months (18 years). Dividing $930,000 by 216 shows you must add $4305 per month to your retirement fund to reach the goal.

Once each year, check your progress toward your retirement goal to determine your monthly contributions for the new year.

Simple!

Six Tips for Easy and Successful Investing

The following investment principles have proven to be the most successful for us average people, and are based on *The Only Guide to a Winning Investment Strategy You'll Ever Need* by Larry Swedroe.

1. Be conservative. Many practice owners take more risk than they need to reach their financial goals. Instead, use a long-term conservative investment strategy that accumulates the wealth you need.

2. Ignore advertisements, magazines, TV shows, investment newsletters and investment websites. No one can predict which stocks or funds will come out on top.

Actively buying and selling stocks or mutual funds based on the noise of the market can destroy your savings. Constantly changing your strategy based on economic news or your emotions leads to bad decisions.

Stock prices are based on all available data. It is nearly impossible to gain a competitive edge based on any news you hear on TV or read on the web. If you know it, so does everyone else.

3. Do not use stock brokers who earn their commissions based on your buys and sells. They are expensive, inefficient and not aligned with your goals.

4. Invest in index funds. Even Warren Buffet, the best-known investor of all time, says, "If you like spending 6-8 hours per week working on investments, do it. If you don't, then (buy) index funds."

With index funds, you can own slices of highly-successful businesses for just 0.05% per year. For example, on a $100,000 investment, you might pay $50 per year to the managers of their index fund compared to $1310 to the managers of the average mutual fund.

5. Diversify! Putting all your eggs in one or two baskets carries the greatest amount of risk. Your risk is lower if you invest in 5-15 different types of index funds.

For example, a balanced portfolio for a 50-year-old practice owner might include 50% of his or her money in 4-5 index funds based on US companies, 30% based on a few international index funds, 5% in a real-estate index fund and 5% in a higher-risk "emerging markets" index fund.

6. Re-balance your portfolio once a year. For example each January, adjust your money to go back to your ideal percentages. You have then managed your investments for the year.

Simple!

Mike Chatelain, Managing Partner