

Ask the Expert

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I was talking recently with a friend of mine who was looking at her pending retirement. She has been a good saver and is knowledgeable about the different ways to accumulate dollars toward those “golden” years that are coming. She surprised me though, when talking about having enough money to retire on, she looked at me with an exasperated look on her face and said, “What’s MY number?” I knew she was referring to a television commercial that showed people carrying around a large number representing the exact amount of money they would need for their retirement. So today’s question is:

Q: When can I retire?

A: As you might have expected, the answer isn’t quite as simple as picking a dollar figure to attain, reaching that number, flipping a switch, and beginning a new life of leisure. It is different for each individual. But it is something you can plan for, using reasonable assumptions for future income and expenses. As a business owner I look at two sides of an equation:

Income and expenses. As a member of my church finance council, I look at two sides of the equations: Income and expenses. When I look at my personal budget I look at those same factors: What is coming in and what is going out. When we are planning for our retirement we will need to look at those two areas. There isn’t much latitude on the income side in retirement. With a little financial planning, we generally will know how much we are going to be drawing from our sources of income. Our distributions from pensions and social security are fixed. Reasonable assumptions will give us an idea of income from IRAs, 401(k)s, and the like. In the investment industry, financial planners, investment advisors, brokers, etc., are focused on and involved with increasing or preserving your wealth. You may feel like you are doing everything you can and still feel uncomfortable with your financial outlook. One area you have control over in the planning side of the retirement question is the expense side. You don’t have to have a fortune if you don’t spend one. The bad guy is debt. The more debt you carry into

retirement means that much more income is required to service it. In a country that places such a high premium on the concept of freedom, it amazes me how many people have enslaved themselves through the accumulations of debt. Let me offer a financial equation for retirement planning purposes:

Zero debt = Financial Freedom

This formula alone doesn’t guarantee a retirement living in luxury, but it does give you some freedom in planning what you’ll spend your retirement dollars on. I don’t know the exact day you can retire from your daily grind, but I do know that if you can eliminate your debt, or at least substantially reduce it, you’ll be able to enjoy some of those “one of these days” dreams sooner rather than later!

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