it's your life

BY ROBERT K. BAIRD / GUEST COLUMNIST

When people do start thinking about retirement, they think it's too late. But that's not so. You can start your retirement plan any time and have success.

Plan for your future: It's never too late to save

Retiring in style is virtually everyone's dream. For most of us, unfortunately, we are least likely to plan for it when we're young. And obviously, this is more difficult than dreaming because there are senior citizens who never achieve the goal of financial freedom. One of the reasons seems to be that when people do start thinking about retirement, they also tend to think it's too late. But that's not so. You can start your retirement plan in your 20s, 30s, 40s, even your 50s, and have success. But remember that starting later does make it more difficult.

Where do you start?

There are a number of considerations when preparing to retire. Truthfully, it's hard to decide how much money you need to retire. Much depends on your lifestyle. I like the idea (as a minimum) of having your house paid for in full and a million dollars in the bank. Then, if you don't take more than one world cruise a year or blow a ton on the lottery, you're probably going to be in good shape. Your dreams may be different.

Although $1 million may not be your goal, let's look at what it takes (and how long) to amass that million if you're able to invest it and gain a 13% return. (According to Ibbotson and Associates, that's what the stock market as a whole has averaged over the past 25 years.)

$1 million equals:

- $10,000 lump sum invested for nearly 40 years
- $100 per month invested for 38 years

Compare that with what you have to do in a shorter time to reach your $1 million:

- $294,590 lump sum invested for 10 years
- $48,040 per year invested for 10 years

These are fairly big numbers for most people to generate. This also makes no allowances for taxes, and it assumes that you will make 13% per year — by no means a guarantee. In other words, it's anything but an easy task for most of us. And the less time you have, the harder it is. Consequently, the sooner you start saving, the better.

Here is another example:

- $2,000 per year invested at 10% grows to $100,000 in 18 years
- $2,000 per year invested at 15% grows to $100,000 in 14 years

The point of all this is twofold:

- The more you can invest and save now, the better
- The higher your rate of return, the faster it will grow

Most of us can come up with $2,000 a year. And $100,000 is a heck of a lot better than nothing. Again, this assumes you're going to do well on your choice of investments, but says nothing about how you're going to achieve these lofty rates.

Investment help

It's no longer difficult for the average investor to keep pace with the financial world and monitor his investments. If I had one place to go to get do-it-

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yourself investment advice, it would be the Motley Fool on the Internet. One of their model portfolios, which is called the "Rulebreaker," turned $50,000 into over $800,000 in less than six years. No foolin'!

Can they do it again? Who knows, but they also explain how they do it, and you owe it to yourself to learn everything you can. The site has a "Fool School" full of incredible information and investments ranging from the very conservative to the flamboyant. They give you a sound approach for where to put your hard-earned dollars, not to mention how to monitor them.

Another factor most of us don't calculate is the effects of inflation. Nevertheless, even a low rate creates big effects over long periods of time. If you factor in our current reduced rate of 2% vs. a 100-year average of 3%, in 30 years, a $20,000 car will cost about $35,000! A $10 meal at a fast food restaurant will run about $17. (Retrospectively speaking, some of us may even remember when you could get a McDonald's hamburger for 15 cents). Today's social security check would go a long way in yesterday's marketplace. Unfortunately, it's not likely to ever work that way.

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