

Tips for Proper Retirement Planning



There's no one-size-fits-all formula when it comes to retirement planning, says Baruch (Brent) Labinsky, MBA, TEP, founder of Labinsky Financial and an ISA licensed independent financial planner and investment manager based in Ramat Beit Shemesh. Everyone's financial and personal life circumstances are different, and their retirement planning must be individualized accordingly, ideally with the guidance of a professional. However, says Labinsky, there are certain broad principles to keep in mind:

Start young. There's a reason for the common aphorism that it's never too early to start planning for retirement. Retirement savings are based on the model that your earnings during your working years must provide enough for both your current needs and your future retirement needs. Even if you assume 40 years of employment — which, today, is less of an assumption than it used to be — the earnings from those 40 years must last you through what will *b'ezras Hashem* be many more decades to come. Pushing off retirement saving means that you will have a much shorter window to put aside the same amount of necessary money. Another advantage to starting young lies in the magic word: compounding. Money you invest in your twenties that lies untouched for 40 years has a lot of time to grow, as its capital gains and interest are constantly reinvested. Assuming the investing wisdom holds true — that over long periods of time the market tends to move upward — you will hopefully have a nice nest egg waiting for you by retirement.

Diversify. If the byword in real estate is location, its counterpart for long-term financial planning is diversification. It is never a good idea to put all your eggs in one basket, even if that basket appears to be a secure one. Labinsky has seen many cases where people relied on a rich relative, a family business, a large, single-asset investment (such as a single property), or even on Social Security payments — and then something happened to that one guaranteed income source, and their retirement plans went bust. Nothing in life is guaranteed, which is why it is essential to provide ourselves with multiple avenues of retirement income. The diversity principle applies to spouses as well. If all of your retirement income is tied to your spouse, who was the sole or higher earner in the family, then you must make sure not to leave yourself too exposed in case he or she predeceases you. That doesn't mean that it is always

the wrong choice to opt for the full pension benefit to last only for the beneficiary's lifetime, as the couple in the story did. If, for example, the husband has a large life insurance policy that would adequately provide for the wife in case of his death, then it might make sense for them to enjoy more of the pension money when both are alive. The key is to take the full picture into account.

Plan for all scenarios. Yes, we would all like to believe that our golden years will be spent together with our spouses, with both of us in good health, but, unfortunately, that isn't always the case, and we must make sure our financial plans are adequate to provide for us in all possible scenarios: together, in good health; together, but with one spouse incapacitated and in need of long-term care; or retiring alone, in the case of death or divorce.

Live life today with tomorrow in mind.

Okay, you say. You understand the importance of saving for retirement now. But what if you can't? As it is, you are struggling just to cover your current expenses. You have absolutely no money left to put aside at the end of the month. Sometimes this is because today's needs are genuinely urgent, and that means that this really isn't the right time for you to be saving. But more often than not, a good, hard look at your current lifestyle is required. Are you spending every last penny you earn to pay for your high mortgage, two cars, vacations, and other trappings of your life? You need to give careful consideration to those expenses that you justify with the rationalization, "How can I live without this? Everyone in my community has this!" Realize that you are essentially borrowing money from your retirement years to pay for this lifestyle. While not easy, it is almost always possible to cut your expenses — even, when necessary, by moving to a community where the cost of living is cheaper. "We all have the ability to make choices in life," says Labinsky. Will following these steps ensure a smooth, worry-free retirement? Of course not; even the best-laid plans can go awry, and only Hashem can determine what our golden years will look like. Which brings us to the most important principle:

Daven. As always in life, hand-in-hand with our best *hishtadlus*, there should always be a hefty helping of prayer and *bitachon*.