Planning For College

(Or Any Other Pre-Retirement Expense)

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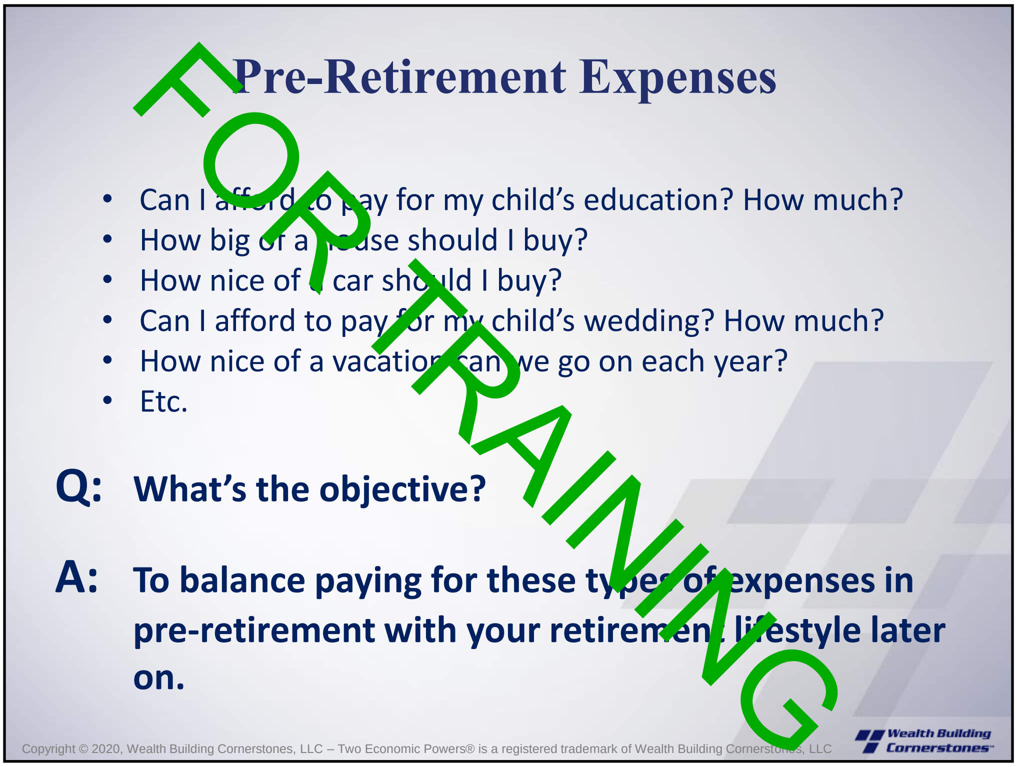
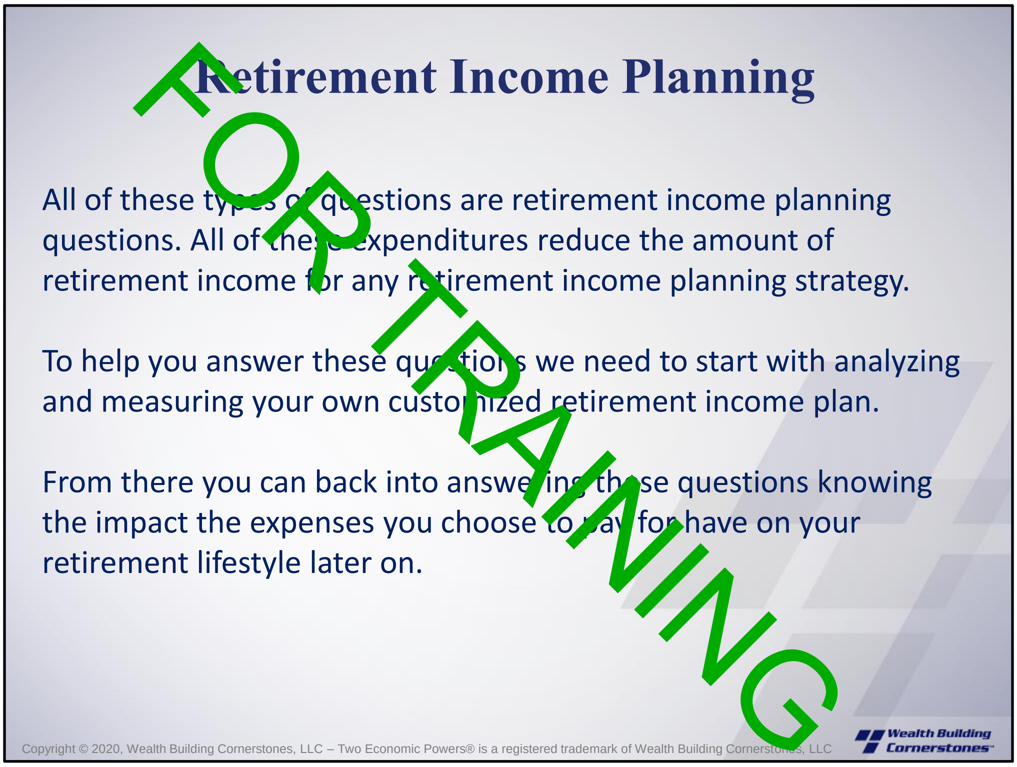


Many people in pre-retirement may have the following types of questions regarding pre-retirement expenses: 1) Can I afford to pay for my child's education? How much? 2) How big of a house should I buy? 3) How nice of a car should I buy? 4) Can I afford to pay for my child's wedding? How much? 5) How nice of a vacation can we go on each year? 6) etc.; Question: What's the objective? Answer: To balance paying for these types of expenses in pre-retirement with your retirement lifestyle later on. So, how do we do this?



By first recognizing that all of these types of questions are retirement income planning questions. All of these expenditures reduce the amount of retirement income for any retirement income planning strategy. To help you answer these questions we need to start with analyzing and measuring your own customized retirement income plan. From there you can back into answering these questions knowing the impact the expenses you choose to pay for have on your retirement lifestyle later on.

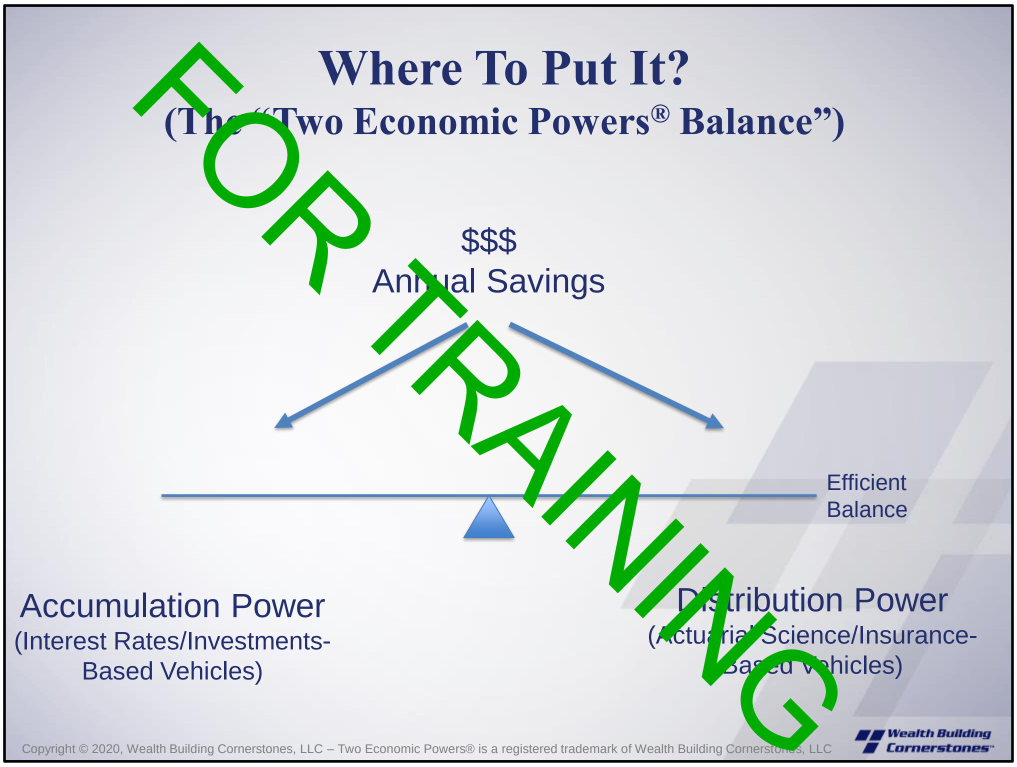
Retirement Income Planning

1) **How much to save?** (Volume of Annual Savings)
2) **Where to put it?** (Allocation of Savings for Efficiency)

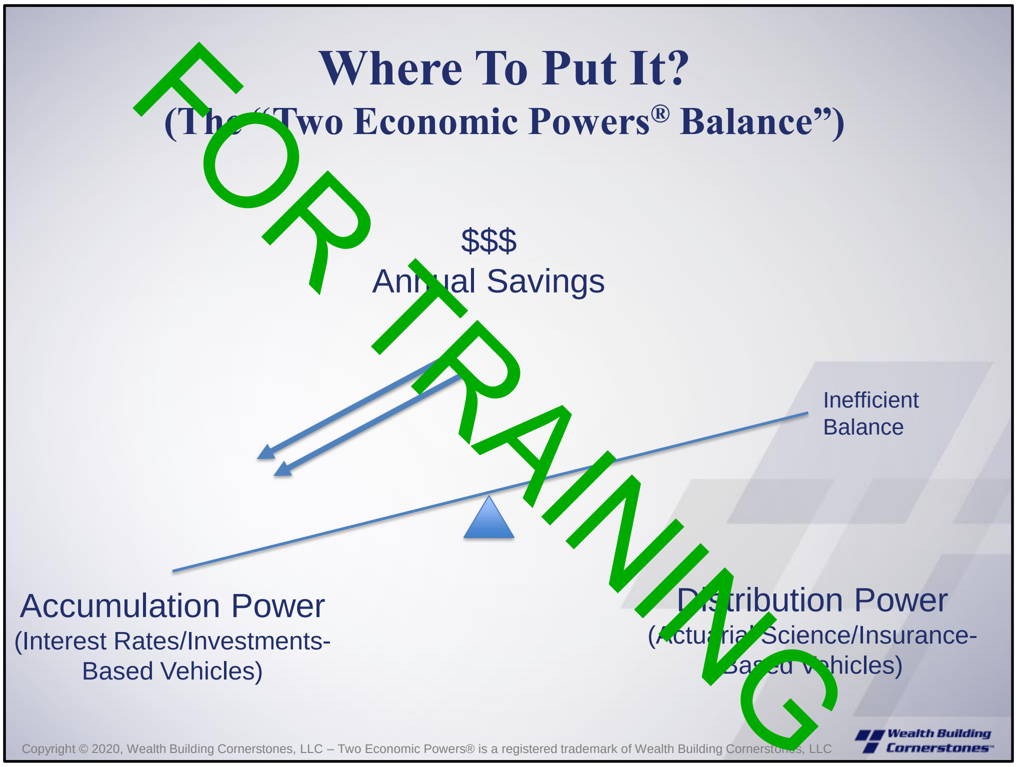
This includes accounting for expenses in the retirement income planning capacity you are working towards.

Wealth Building Cornerstones

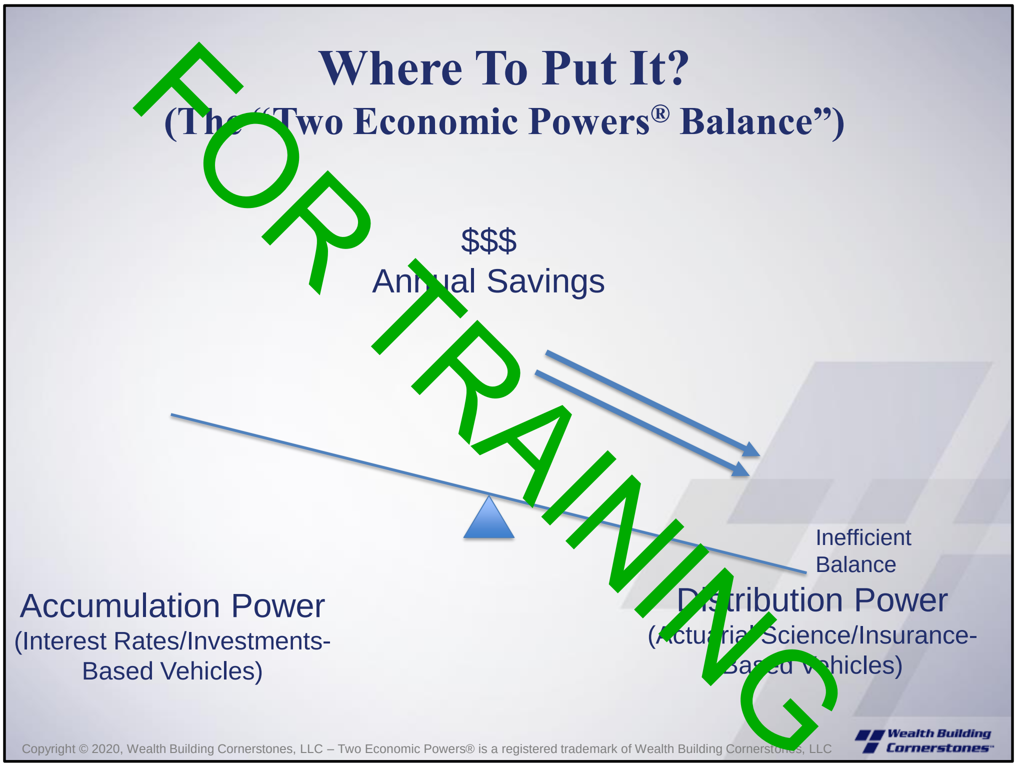
The two wealth building questions every pre-retiree has are: 1) How much to save? And 2) Where to put it?. The first question pertains to the volume of annual savings you would do, and the second pertains to the allocation of that savings for efficiency to create your retirement income in the future. The second question actually needs to be addressed before the first…. until you know the efficiency of your retirement income planning strategies it is futile to try to determine how much to save. For example, the less efficient your strategy, the more you'd have to save to reach your retirement income objectives and the less ability you would have to pay for desired expenses in pre-retirement.



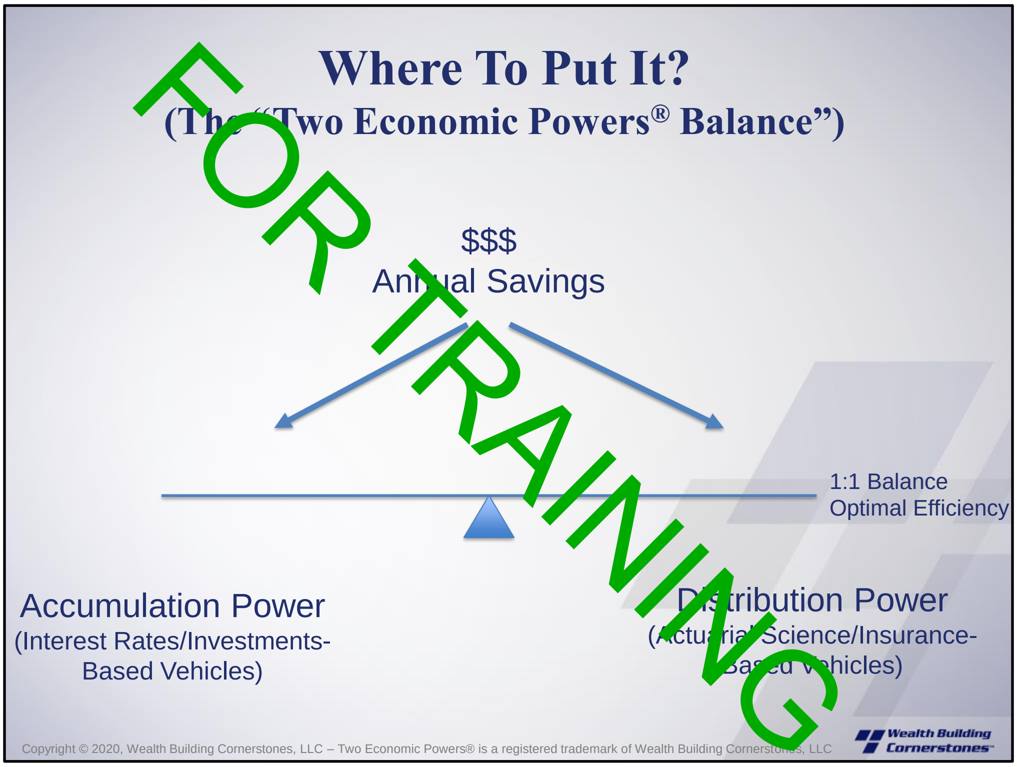
There is a Two Economic Powers® Balance to consider for the efficiency of your retirement income planning. The first is the Accumulation Power which is driven by the power of short term fluctuating interest rates and is generally provided by investment-based vehicles. The second is the Distribution Power which is driven by the power of actuarial science and is generally provided by insurance based vehicles. Prior to the 1980's these powers were balanced automatically to create people's retirement income through the efficiencies of defined benefit pension plans for most people. With the dawn of the defined contribution plan era beginning in the 1980's most people are now only getting the Accumulation Power by default and need know how to reincorporate the Distribution Power back into their financial lives for efficiency of retirement income planning. To create efficiency we want to place the savings we are doing during pre-retirement in a way that gives us a level balanced teeter totter at retirement age.



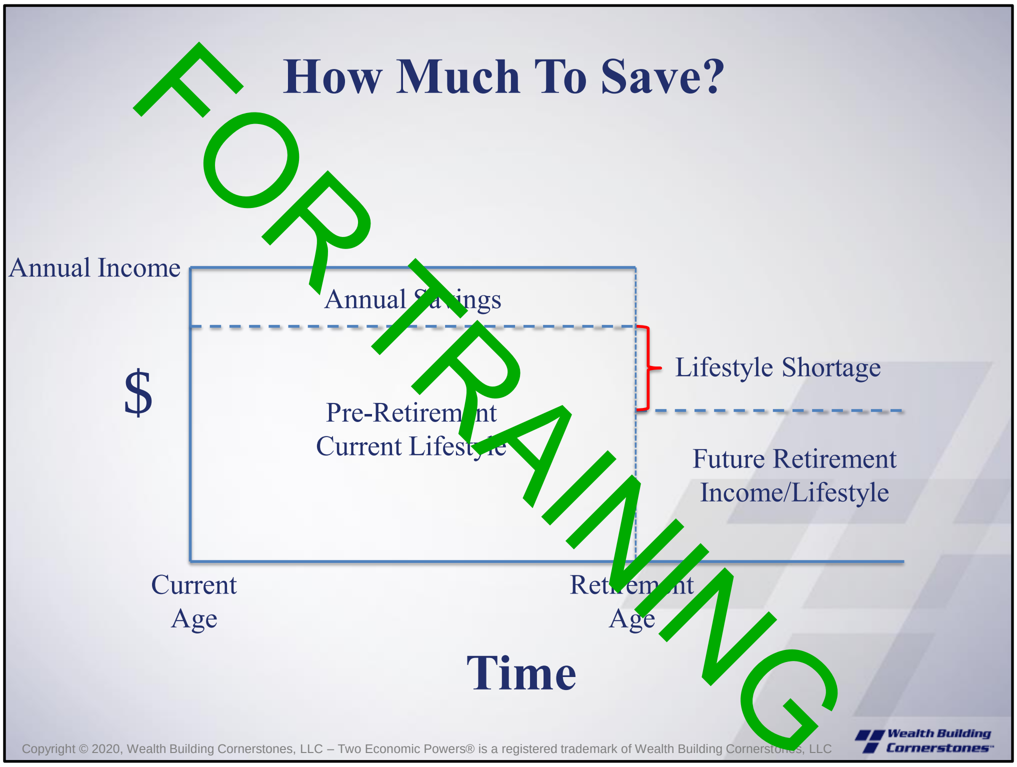
Efficiency is lost if either power is weighed down too much.



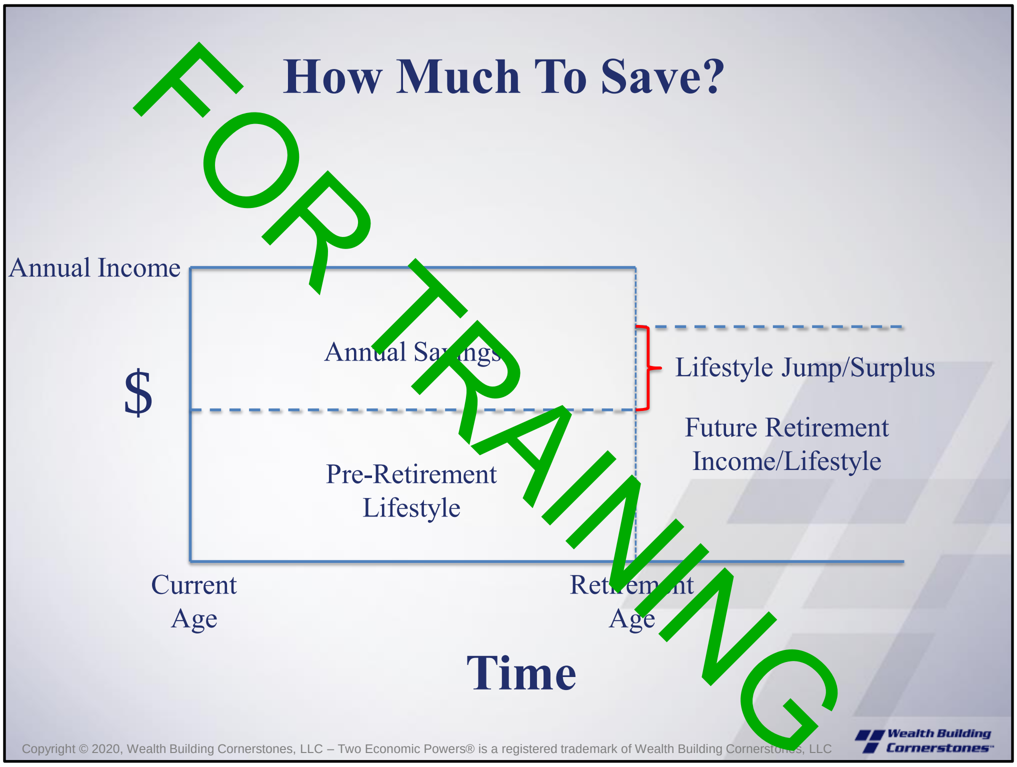
In either direction.



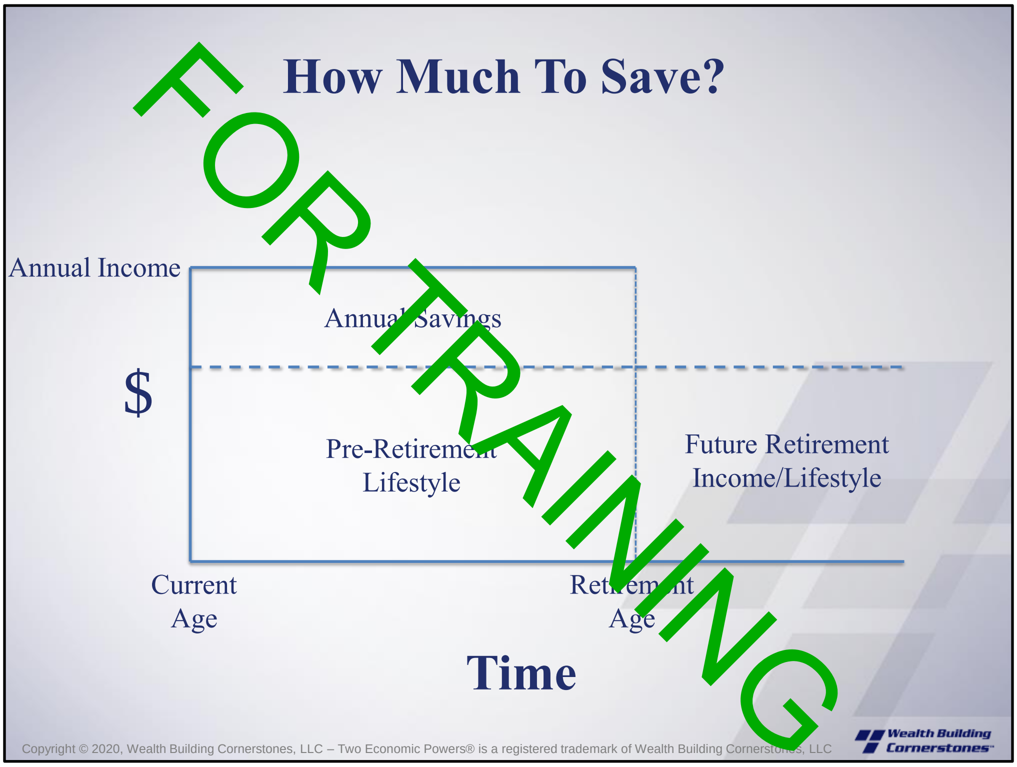
You can create a Two Economic Powers® Balance for optimal efficiency.



Once efficiency for allocation of savings has been understood the next question is "How much to save?". This is generally a matter of trying to match your pre-retirement lifestyle with the retirement lifestyle you desire in the future. In Pre-Retirement the annual savings someone is doing generally comes out of their annual income and then the remainder is what creates their current lifestyle in pre-retirement. If you save too little during pre-retirement or allocate it inefficiently you could end up with a lifestyle shortage in retirement.



If you save more than needed out of your annual income then your lifestyle in pre-retirement could be reduced to the point where you would have a lifestyle jump or surplus at retirement age.



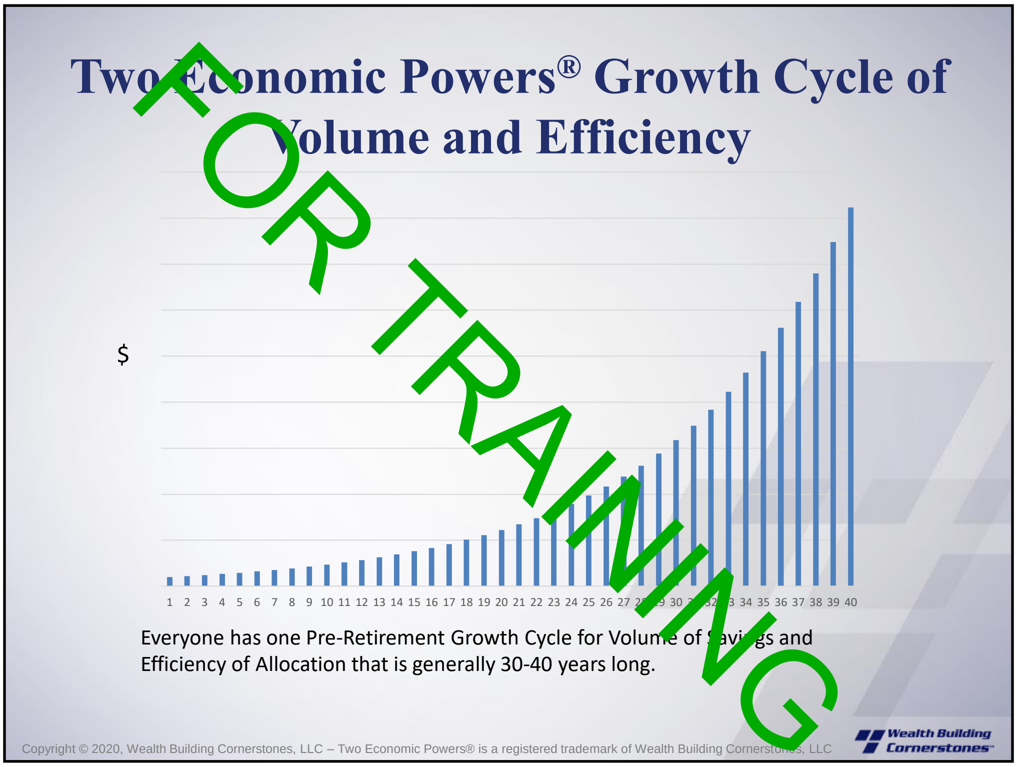
Generally people are looking to set an annual savings amount that matches their Pre-Retirement Lifestyle to be close to their Future Retirement Income/Lifestyle.

Pre-Retirement Savings and The "Two Economic Powers® Balance"

1) **How much to save?** (Volume of Annual Savings)
2) **Where to put it?** (Allocation of Savings for Efficiency)

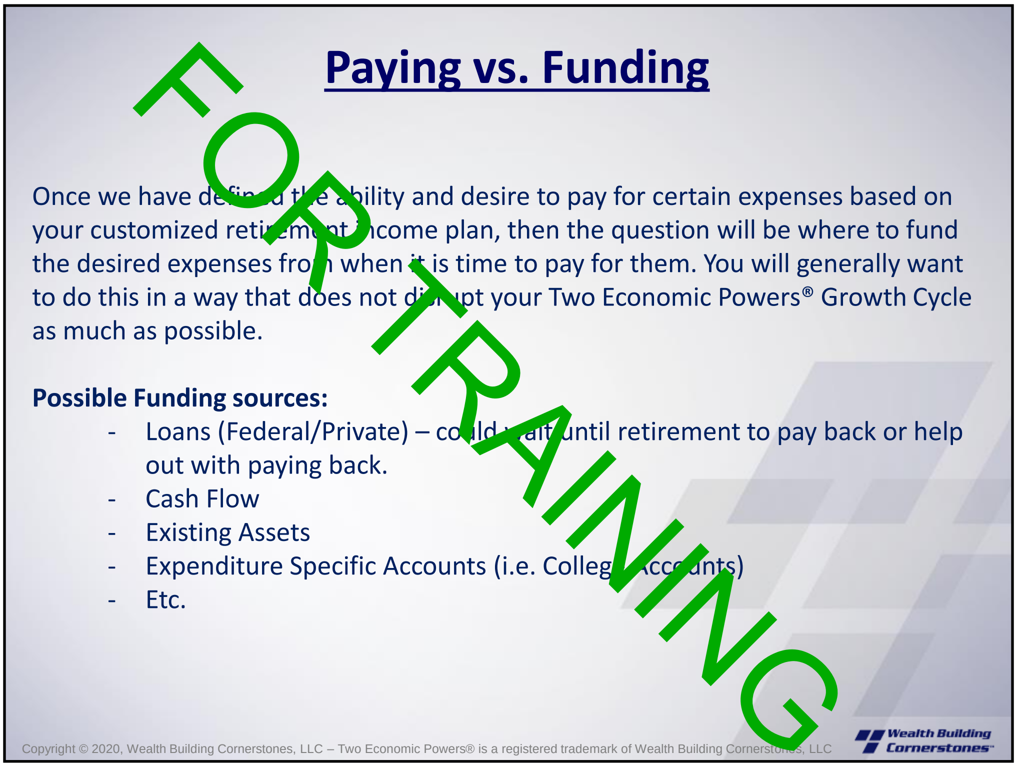
This includes accounting for expenses in the retirement income planning capacity you are working towards.

Retirement income planning centers around solving these two questions for everyone. This includes accounting for desired pre-retirement expenses in your retirement income planning capacity.

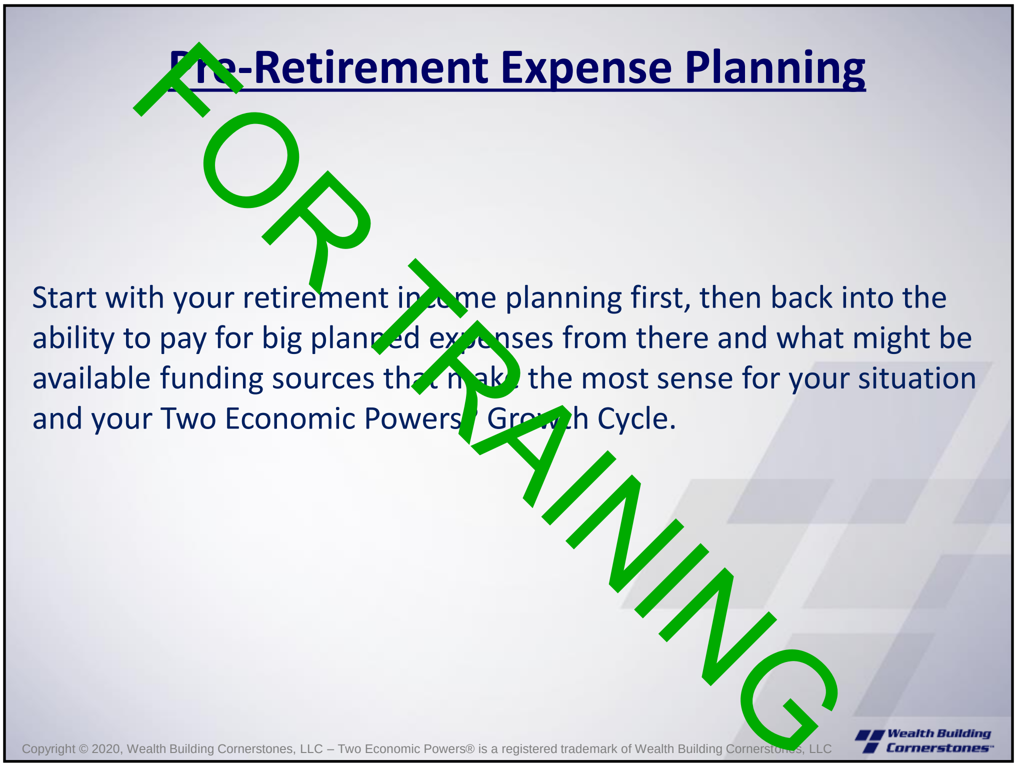


Time is of the essence for your retirement income planning. Everyone has one pre-retirement growth cycle for volume of savings AND the efficiency of the allocation of that savings that is generally 30-40 years long. Having either volume or efficiency just by themselves is generally insufficient, both are necessary together for as long as possible.

You want to avoid starting your Two Economic Powers® Growth cycle over as much as possible while paying for expenses in pre-retirement. You don't want to lose your position on your growth cycle and have to start over, as you can't get that time back.



Once we have defined the ability and desire to pay for certain expenses based on your customized retirement income plan, then the question will be where to fund the desired expenses from when it is time to pay for them. As mentioned previously, you will generally want to do this in a way that does not disrupt your Two Economic Powers® Growth cycle as much as possible. Possible funding sources include: 1) Loans (federal/private) – you could even wait until retirement to pay them back or help out with paying them back. 2) cash flow 3) existing assets 4) expenditure specific accounts. 5) etc.



Start with your retirement income planning first, then back into the ability to pay for big planned expenses from there and what might be available funding sources that make the most sense for your situation and your Two Economic Powers® Growth Cycle. Let's start with measuring and analyzing your own retirement income plan.