

# CREATING YOUR OWN RETIREMENT PLAN

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# 1

## A GOOD, SOLID PLAN

It goes without saying that unless you're a wealthy heir to a vast fortune, a million dollar movie mogul, or you found oil in your backyard, you're going to need to come up with a solid, but flexible retirement plan. It also goes without saying that the times are changing, and yesterday's safe investment might quickly become tomorrow's pipe dream.

If you've never really thought about it before, the task may seem pretty daunting, especially in today's fragile world economy. Even if you have decades ahead of you before you reach retirement age, you may just look at the math and think it simply doesn't add up to ever being able to put enough money aside to live out your golden years in some degree of comfort. Don't get intimidated. You don't need to be a financial genius or incredibly lucky to come up with something that works. All you need is to be willing to take the time to do some research, and willing to put enough money aside to put towards a safe, long term investments that will eventually snowball into a decent retirement fund when the time comes.

### BE PATIENT

All it really takes to find a good investment is patience. Allowing your investments to build up slowly, and to reinvest the growth is key. Nobody can guarantee that their company is the next Microsoft, and there's no such thing as a get rich quick scheme. This is all something you probably know if you're responsible enough to at least think about considering retiring, so maybe we're beating a dead horse, but it stands to be said, nonetheless. There's no reliable path towards making your retirement fund in just a few years, so the earlier you start investing into your plan, the better.

### SET GOALS

The first step in creating a retirement plan is simply determining what your goals are. You might want to start a small business, buy a retirement home, buy that classic car you've always longed for, or just live your life in peace and comfort, taking the time to, pardon the cliché but, stop and smell the roses. Whatever the case might be, the first step is to set your goals and

determine how much it's going to take, while allowing yourself some financial breathing room, as well.

## PLAN PLAN PLAN

A lot of people hate having to plan just about anything. Many of us can barely tolerate the task of planning a vacation, heck, some of us can't help but get flustered over a dang grocery list, so it's no wonder some people dread the responsibility of planning their golden years. Something to keep in mind is that you need to allow yourself time to really consider what you're after in life. As long as you begin planning well in advance, there's no need to rush or panic, and you need not dedicate weekends and sleepless nights to planning, or worse, fretting and dreading your retirement.

Remember that what you're planning for yourself is a comfortable, satisfying lifestyle, not a burden, and there's no good excuse for giving yourself an ulcer and a headache over anything. Just take some time now and then, when you can, to organize your goals, to look into your options, and to make your decisions. Don't worry, don't stress. Take as much time as you need to be sure that you're covering all your bases and making solid decisions, and don't be afraid to change your mind. That's not to say just sit back and forget about it, of course, retirement is important, and as much time as you do have to plan, nobody has forever, so make sure to plan accordingly, just don't let it become a burden.

## A WORD ON SOCIAL SECURITY

Before getting into anything else, let's discuss Social Security: Forget about it. In the past, the program has generally been a safe, reliable plan for retirement, at least for the career worker. However, even as far back as its initiation in the 1940's, the program has been plagued by controversy and debate. In 2008, the program is expected to pay out about 610 billion by year's end, and there is serious doubt that today's workforce can continue to support the program as the retiree to worker ratio has made the program somewhat impractical.

There is currently a lot of talk and debate regarding ways to save the program, but the bottom line is that the US Social Security fund is expected to be completely exhausted by 2041. It could very well be that the dying program is brought back on its feet by a resourceful lawmaker, but for the time being, the future of Social Security is shaky and uncertain, at best, and most experts would argue that it's actually completely reliable, so, to put it bluntly, Social Security simply isn't wise to rely on at this point in time.

It's more important now than ever to come up with your own retirement plan, because, to put it bluntly, the government is not likely to be offering much of a hand by the time anyone young enough to still be planning their retirement is going to be ready to retire. Luckily, there are literally thousands and thousands of options available for strong, sound retirement fund investment, and there's no doubt that just about anyone willing to put in the research and money will be able to find something that suits their own, individual needs. Many see this as something of a golden opportunity, in fact, and are eager to manage their own money as they see fit rather than to lean on Uncle Sam.

This may be for the better, or it may be for the worse. It will result in lower taxes and smaller government, which is generally good for business, as well as personal freedoms, but it also unfairly leaves many retirees who have dutifully paid their social security tax their entire work lives high and dry. Regardless of whether it's right or wrong, whether it works out for better or for worse in the long run, the fact is that you're going to have to learn how to manage your own retirement plan, because the government isn't going to.

## 2

# IT'S A MAD, MAD, MAD, MAD, MAD, MAD WORLD ECONOMY IN THE 21ST CENTURY

Today's economy is unpredictable, to say the least. Even many experts are finding that everything they've learned no longer holds true and they are having to rethink their strategy every day. The most important change that has occurred is that the American dollar has begun to lose its status as the world's reserve currency. The dollar's value as compared to other world currencies is plummeting. An example of one of the differences this has resulted in is that, in the past, people in foreign countries have accumulated American dollars for their appreciating value, but now, many American banks have begun to accumulate foreign dollars for their appreciating value.

The 21st Century has already presented many financial changes and challenges for citizens of the western world, and promises to only offer more changes and more challenges in the future. Today's investor needs to be knowledgeable and flexible, always paying attention to changes and trends, and willing to adapt. In this chapter, we hope to give a good overview of current changes and trends, what to look forward to in the near future, but if you really want to stay on top of things, you're going to need to make research a part of your weekly routine. There's no guarantee that the following will still hold true even ten years from now, and you absolutely must stay in the know if you hope not to be left behind.

## THE US ECONOMY

One of the reasons the US has been so powerful in the past is thanks to the fact that American companies would ship low cost, high quality goods all around the world. We all remember when people used to say "must be made in Japan!" whenever a product broke or malfunctioned. In fact, there is even a city in Japan named USA, so that the factories there could print "Made in USA" on their products. But now, when was the last time you heard this old joke?

Today, Japan has actually built a reputation for craftsmanship while American products have become more expensive. America's former commercial glory

was thanks in part to more freedom for manufacturers. Companies were allowed to pay lower taxes and there were fewer government imposed regulations than in any other country. This limited government allowed American companies to pay higher wages. Today, higher taxes and stricter regulations have resulted in lower wages, less happy employees, and inferior, more expensive products. The point is that you need to be savvy of the world economy, not just western economy. In the past, the financial might of the western world has allowed its citizens the opportunity to approach investment with more of an insulated mindset, and today, we just don't have this luxury.

## A RECESSION?

Something very important to consider is that many experts are predicting a recession in the coming years, with some even fearing a depression. If you look at the numbers, depression might just be what you experience. House values have been dropping, employment rates have been dropping, credit conditions are tightening, and inflation is expected to really do a number on the value of the dollar over the next decade. The good news is that recessions are rare and not very easy to predict, but the signs certainly encourage being careful and staying on top of the situation.

The US currently suffers from a deficit that's being reported at three trillion dollars, but many argue that, when you take into account Social Security, Medicare, and other federal programs, the deficit may be as much as 43 trillion. Whatever the case may be, any investments made into a retirement fund are going to require a strong growth factor over the years to really pay off. The value of the US dollar is shrinking fast, and stuffing a few hundred into your mattress every month isn't going to amount to much twenty or thirty years from now.

European investors have a little less to worry about, as the value of the Euro is rising, however, the US is still such an integral part of world economy that, should America undergo a depression or a complete economic collapse, the rest of the world can be expected to feel the effects, as well.

Some of this may sound like a doom saying prophet predicting the end of civilization as we know it, but to be fair, a lot of these predictions are considered long shots. Rather than being what we can expect to happen over the next decade, these predictions should simply encourage the investor to prepare themselves and to not put too much into investments with unstable futures. Many people are trading their US dollars for Euros or gold, and property investment is becoming more popular in light of the risks that go into stocks and bank investment.



## PROPERTY AND REAL ESTATE

The housing market has seen a decline as of late, but land and homes are still a wise investment, as real estate is a property whose value can never really drop to zero. Our grandparents never expected to see the day when you'd pay ten dollars instead of five cents to see a movie, we may eventually see the day when we're paying a hundred bucks instead of ten dollars. The value of the US dollar has always been unstable, being simply a form of credit to stand in for gold. Tangible property is a bit more reliable.

# 3

## A SAFE INVESTMENT: SAVINGS ACCOUNTS

Something that has generally been a safe, reliable, and flexible investment plan, and looks like it will continue to be so for the foreseeable future is, no big surprise here, an investment fund. When a person first enters the workforce and looks at the option of starting an investment account, it may be a bit disheartening to see that the interest rate is rarely above something like eight percent, especially considering that nobody's first job is paying out a six figure salary. The truth is, it actually adds up a lot faster than you might think.

A question once posed on a game show asked how thick a piece of paper, just one half millimeter thick, would be if you fold it in half fifty times. The answer is that it would be several hundred thousand miles tall, reaching past the moon and into outer space. The reward of solid investment is staggering. Think about it, if you just put, say, three hundred dollars a month into a savings account for ten years, that's thirty six thousand. After thirty years, that's somewhere around a hundred thousand clams, and eight percent of a hundred thousand clams is a lot of clams.

### THE BIG PROBLEM – INFLATION!

BUT! The sad fact is that even the best interest rates simply cannot stand up to inflation. If you put money into a savings account, that money is going to be worth less ten years from now than it is today.

### WHY BOTHER?

So why bother talking about savings accounts, then, if the money can only possibly be worth less in the long run if you tuck it away? Why not spend like crazy? Well, even if the money is going to be worth less in a decade, it's still money, and it goes without saying that you're going to need money now and then.

A savings account is low risk, unlike the stock market, and it's accessible without cashing in, unlike property. Your stocks might take a nose dive and

you can't very well sell off just part of your house when you need a few bucks. Savings accounts offer a means of having money that you know will be there when you need it.

## GOOD AND BAD USES OF CREDIT

A good way to make sure you get a rewarding interest rate is to simply build up your credit. Understandably, with all of the scandal and sometimes less than scrupulous dealings that go on within the credit industry, many people are reluctant to get a credit card. Heck, some people (call them shopaholics) just plain know they can't trust themselves with one. The right way to go about building up credit is just not to treat it like free money. We've all heard stories of kids going off to college and spending, spending, spending, building up a lifetime's worth of debt in just four years.

If you're not interested in using a credit card to buy yourself fancy things and go out on the town, the right way to use a credit card is to simply use it to buy the essentials now and then, meaning fuelling your car up, buying groceries, and then just paying the bill in a timely manner. Doing this, your credit rating will improve and you should have no trouble getting a good deal when it comes time to start your savings account.

## CHOOSING A BANK

When it comes to choosing a bank, you're best off doing the research yourself. Make sure to shop around, there's no need to commit to the bank you do your checking at. There are plenty of sources on the internet that compare the rates and options offered by hundreds of banks. You need to find one that suits you, is reliable and easy to work with, and offers as high an interest rate as you can find.

Websites like [bankrate.com](http://bankrate.com) offer national searches on banks, comparing the interest rates and options from around the country, but it might not even be a bad idea to widen your search and maybe even invest overseas.

Right now, the average interest rate is somewhere around 2.30%. Don't settle for that. At 2.30%, you're about as well off putting that money in a piggy bank. Plenty of banks offer much higher than 2.3%, so don't settle for the first chance that falls in your lap.

If you've invested enough and are making enough money on interest, many people are even content to simply live on the interest provided by their savings account each month, saving the rest for emergencies or other costs.

Saving accounts are no way to get rich, of course, but if all you need is a

means of living comfortably with a safe, secure fund to provide for your needs, a good savings account might just be all you need.

## 4

# A PROFITABLE INVESTMENT: STOCKS AND BONDS, AND A WORD ON THE 401(K)

Perhaps the most daunting and intimidating investment prospect is the stock market. There is a general conception that stocks are invariably unstable and incredibly risky. Certainly there is some risk involved, but it's actually not that hard to see a high yield from low risk stocks. If you don't want to have to obsess over your stocks and check the Wall Street Journal each and every day, you can simply invest in companies with good reputations, companies that are showing strong growth or simply companies you trust.

### TRIED AND TRUSTED STOCKS

It might be fun imagining that you might become a millionaire by investing in a long shot that turns out to be the next Microsoft, but if you really don't want to spend all day worrying about how your stocks are performing, you can do just fine simply investing in, well, Microsoft, or another company that is simply a safe investment with ambition to grow in the coming years.

Just to name a few examples, Wal Mart has traditionally performed well and are currently taking on some ambitious expansion, Nintendo is a household name, and the company has recently begun expanding their range of products to appeal to consumers in general rather than just the people who are typified as video game players, while many of the other big name electronic companies, such as Sony and Apple, are seeing growth every year as their products become more affordable and more useful.

The easiest way to make safe, strong investments in the stock market is not to hire a broker or try to become an expert, but simply to invest in strong companies which you trust, to rely on your own judgment of which companies are making good decisions. Admittedly, this isn't really a great way to get rich on stocks, but it is a great way to make a safe, sound investment, and as close to a guarantee of a good return as you're likely to get.

## WHY BOTHER?

Many recommend that you don't even bother investing in stocks until you have at least ten thousand to put into the investment, as well as plenty of property. Maybe on some levels, this is a good idea, but there's really no truly practical reason not to start with a few hundred here and there just to get yourself acquainted with the whole business. If all you want is a safe, sensible return, just invest a few hundred here and there. Just as with a savings account, you might be surprised at how profitable it can be, just investing a modest amount of money when you have the cash to spare.

Stocks aren't necessarily a rich man's game, and just about anybody can benefit from making safe, modest investments. Again, don't be intimidated. If you only invest what you can afford, if you don't stake your life savings on being an overnight billionaire, there's no reason to expect to find yourself in the poorhouse.

## GETTING ADVICE AND INFORMATION

Of course, if you don't mind putting the time in, are more ambitious, or if you just enjoy the whole trading game, it's not so hard to learn how to read stocks, and it's becoming easier and easier to trade stocks back and forth through trading websites and other services. If this fits your goals, you'd be best off reading as many books as you can on the subject. Plenty of experts in the field have written excellent, informative texts on how to make the most out of your stock trading career. The best advice that you can be given to start with is to just make sure you stay on top of the market. Keep up with sources like Tycoon Report and [wikinvest.com](http://www.wikininvest.com). And, don't give in to the temptation to sell all your shares every time the market has a bad day. Be patient and give your investment time to grow.

When you are ready to sell, quit a winner, sell your stocks while they're still performing. Other than that, there honestly isn't enough space here to give you all the advice you're going to need to be a real player on the stock market, and you'd be wise to take lessons from experienced brokers and, again, read as much as possible on how to get the most out of your stocks. Even in the event that this is your ambition, though, remember that it's never a good idea to rely entirely on your stocks. No matter how good you think you are, you're going to want to keep money in other places, a savings account, property, or just an emergency cash fund tucked into a safe. Even for the smartest, most cautious investor, the stock market can be volatile and there's never a 100% guarantee of a good return, or even making your startup money back. Be smart, stay in the know, and be safe.

## THE 401K

Regarding a 401k plan, to be frank, it's a hard thing to strongly recommend. A 401k is simply a fund, sponsored by an employer, that allows employees to save for retirement without having to pay taxes until the fund is withdrawn. Many employers offer the employee the opportunity to buy stocks in the company or other investments, but honestly, you're probably better off just taking your money and investing it on your own time. A 401k is generally pretty low risk, but very low yield in terms of any potential profit (which isn't even part of the plan, most of the time), and it doesn't account for inflation.

## BONDS

The golden days of investing in war bonds may be over, but bonds can still be a good investment, depending on certain factors. High yield bonds, rated below investment grade by credit rating agencies, are called junk bonds for a reason. Even though they tend to have high returns, they are considered high risk, as well. Investing in inflation linked bonds, on the other hand, might not be such a bad idea. These are bonds where the principal is indexed to inflation. Investing in these might just be a great way to put your money into something where, at the very least, your investment won't shrink over time.

## 5

# A TANGIBLE INVESTMENT: HOMES AND PROPERTY

As mentioned in the chapter on savings accounts, if you want to invest in a home, you're going to need to get your credit rating as high as you possibly can. Resolve any delinquencies or credit disputes you might have, pay for your groceries, gasoline, toilet paper and other essentials with your card, and pay the bill on time each month. If you get an early start on this, you should have outstanding credit by the time you're ready to buy your first home.

## GOLDEN OPPORTUNITIES TO FIX UP PROPERTY

When it comes to buying a home simply to live in, you can afford to be choosy, but the golden opportunity buying and selling homes allows is the chance to fix up an old home, make improvements, and sell it for quite possibly several times as much as you invested into the building.

If you're not too picky, it's actually quite easy to strike a deal where your monthly payments will be about as much as a month's rent on a modest apartment, and you can simply live in the home while making repairs. This is an excellent investment for anyone with a background in construction, as you can make improvements on your own without the expense of hiring a crew. Once the home is paid off and you've turned what was once a fixer-upper into a shining example of craftsmanship, you can resell the home and then, if you like, reinvest that money into another project. Even if the home isn't in the best neighborhood, many have found this method to be a sure thing for anyone willing to put in the time and effort.

Supposing you haven't much finesse with a hammer and a power drill, just make sure to shop around when hiring contractors. Don't just go for whoever's listed first in the yellow pages, talk to anyone you know who's worked with the local contractors, get recommendations, look for the lowest estimates. If you personally know any contractors, they might even be willing to cut you a good deal or go in with you as a fellow investor. Be patient and be rational. Oftentimes, home improvement projects simply fall apart when the home owner asks simply too much from their contractors. If you're hiring contractors, try to include this in your initial plans when you first sit down to



figure out how much you're going to need to borrow to get started.

You're probably going to have to start by taking out a loan for the down payment. Most mortgages are based on the buyer putting down at least ten to twenty percent on the total purchase price of the home. It may be possible to put down a bit less, perhaps even substantially less, although, this will require buying private mortgage insurance, which will increase the monthly cost. Luckily, PMI is tax deductible starting in 2007, but if your credit is good enough and if you're ready to make the commitment, it shouldn't be hard to get a loan for the full ten or twenty percent.

## DO YOUR RESEARCH

Before buying any home, though, you should do some research. A lot more goes into determining a home's cost than its physical condition (although, needless to say, the condition of the home does tend to go a long way). Ideally, you can find a home up for sale in an area with a lot of development going on.

Buying a home in a perfect neighborhood might cost you an arm and a leg, but buying a home in a neighborhood that is improving pretty much guarantees that the home's value is only going to go up. Factors to consider include distance to schools, shopping centers, etcetera. There's a reason housing costs significantly less in rural areas and significantly more in densely populated parts of urban and suburban areas. Accessibility to the amenities of the city is a major factor in determining the value of a home.

## DEALING WITH REAL ESTATE AGENTS

A word of advice on dealing with real estate agents in the purchasing process; don't go gaga over any of the homes they show you. If the agent knows you love the house, they're a lot less likely to budge when it comes to the negotiation stage. If you want the best price you can get on a home, you're going to have to play hard to get.

Another option is simply buying land or a home as a way of turning your money into tangible property, guarding yourself against inflation, recession, and every other risk involved in having your money only exist as a form of credit (which is, after all, what paper money is, having been invented as a stand in for gold). We may one day look back nostalgically on the time when a tomato cost less than twenty bucks, but tangible property generally retains some form of value throughout the years, no matter the state of the economy.

## TIME TO SELL...

When it comes time to sell, make sure you know just how much your home is worth. You can quickly find out about real estate values in your area by putting your zip code into an online database.

You may want to go through a real estate agent, as their expertise might come in handy, or you might just not really want to spend the time giving people tours. Just remember that Real Estate Appraisers tend to value homes under market value, and, to be frank, everything a realtor knows, you can learn in a weekend.

Start trying to sell your home when the demand for homes in your area is high. The housing market moves up and down, and it goes without saying, you'll want to sell when the tide is high, and be patient when the tide is low.

The main thing in getting as high a price as you can is to make sure your house looks really good when giving tours. Scrub down the walls, as well as the outside, mow the lawn, you know the drill. It might be a good idea to put some things in storage for awhile, as even a well organized home can look cluttered if every wall is lined with bookshelves, art, and furniture, at least, that is, from the buyer's perspective. Remember that buyers are looking for a home to make their own. Your house may have its own charming personality thanks to a drum kit in the center of the living room, first edition Star Wars posters lining the wall, or antique erotic artwork from several foreign countries, but your goal should be to simply make your house look neat, uncluttered, and well lit. Remember, the buyers want to buy their own home, not your own home.

## 6

# IT'S A DREAM HOME, NOT A DREAM TOMB

Settling on a retirement home isn't the easiest task in the world. In fact, you'll probably find making the decision to be a lot more difficult than any of the saving and borrowing you'll have to put into acquiring the house.

## WHAT DO YOU WANT FROM A RETIREMENT HOME?

The first step is to simply consider what it is you want out of your retirement home. Perhaps you want a place where you can get away from it all and spend your golden years in quiet relaxation, or maybe you want to stay in the city. Maybe you want to live closer to (or further away from) relatives. Consider what kind of climate you prefer, as well. This might be the perfect excuse to move to a beach home or a cabin in the mountains or start homesteading, raising your own food and enjoying life as a part-time farmer. Whatever the case may be, it might be a good idea to make a list of what you want out of your home, in order of importance, and look around for the home that best suits your needs.

You may notice there's nothing in this chapter along the lines of a list of what you want out of your retirement home. This is entirely up to the individual. You might prefer a fixer-upper to keep you busy, a modest home to mount vacations from, a lavish two story affair to put up guests for the night. You might want a huge backyard or a ranch in the mid-west, or you might want to buy some land and build a home from scratch. It's entirely up to you. The only limit is your budget, and if you've been investing wisely, you may just be able to spend some of the best years of your life in the home you've always dreamed of.

## SAVE FOR THE RETIREMENT HOME

Rather than simply wait until retirement and cash in your savings to buy your dream home, it may be wise to put a down payment on the home and begin

making payments several years in advance out of your savings or, if your income allows it, you can make it part of your monthly budget. This method offers a few advantages. Perhaps the most important one is that you can take time to cherry pick your home. If you can't find anything to suit your needs right away, you can take your time, keep an eye on the market, and take your pick when the right home becomes available. You might also be able to get a better deal by beginning your investment while housing demand in your retirement neighborhood is low.

## ALWAYS RESEARCH

It probably goes without saying, but maybe it should be noted, nonetheless. Don't put any money on a home sight unseen. Even if your dream home is clear across the country, you should plan a trip to get the full tour before even considering putting a down payment on the home. Remember that, ideally, this is the home you're going to be spending the best years of your life in. A trip to another city or even another state might seem like a huge hassle, but it's completely justified for such a major decision, as the last thing you want is to put a large portion of your savings into something that might not be what was advertised.

Buying a retirement home is just one of the many things made easier by having a great credit rating. Luckily, you probably have plenty of time between now and retirement to build up good credit. If you haven't started already, now's the time. If you only take one thing away from this text: Build up your credit.

## STAY POSITIVE!

It should be noted that you really need to approach buying a retirement home with a positive outlook. Don't think of your retirement home as a tomb to finish your life in. In fact, it's not uncommon for retirees to sell their original retirement home and buy another one, even several times after retirement. Something a good retirement home offers is physical property that will generally only increase in value over the years. Just because you've accomplished your goals and attained your dreams doesn't mean you have to stop setting new goals and stop dreaming.

You might have dozens more dream houses in your future. Having a good retirement home actually gives you the means to move into another one if you so choose, by simply selling the one and moving on to the next. Some retirees even use this opportunity to embrace a semi-nomadic lifestyle, moving from home to home every few years and seeing various parts of the country (admittedly, it's a bit more of a hassle than renting an RV, but how many RVs have two floors and a swimming pool?).

This comes back to another important point. Don't look at retirement as the beginning of the end, one foot in the grave, or the point where you officially become an old geezer. You don't have to retire early to retire with several great decades of life ahead of you, and your dream home is just that, a dream home, not a luxurious tomb or a one story deathbed. Find the home you've always wanted to live in, and don't be afraid of the possibility that you might yearn for something new sometime in the future.

# 7

## A PENNY SAVED IS... A PENNY SAVED! AND HEY, THAT'S A START!

Studies have always shown that people tend to get better and better at saving money the older they get. Saving money and cutting costs seems like a big hassle for a lot of younger people. Frankly, it's hard to be patient with your money when you're young. The excitement of being out in the world for the first time can be overwhelming, and there's a tendency to want to do a lot of spending in celebration of your newfound financial freedom or your first real job. Not only does this initial shopaholism eventually grow tiresome for many people, but a certain amount of experience also helps a person to learn a lot of tricks on how to get what you're after in life without spending an arm and a leg.

Most people have been late on a bill more than a few times in their twenties, and eventually, you can't help but learn how to avoid having to ask for extensions simply because, well, nobody likes having to ask the electric company or the landlord for extensions. Below, we'll list some of the more sensible things you can do to stretch your money, and hopefully, still be able to have some left over for an afternoon at the mall or a nice dinner now and then. The trick isn't simply to deprive yourself of a new outfit or a trip to Starbucks on the way to work, the trick is to know your budget, not get carried away, and to spend money, but spend money wisely.

### HOW NOT TO USE A CREDIT CARD

In the previous chapters, we've emphasized the importance of using a credit card to build up your credit rating. Now, we're going to have to emphasize the importance of NOT using a credit card. If you're only buying the essentials or only spending what you can be sure you can pay off at the end of the month, there's nothing wrong with using your credit card, but don't fall for the misconception that it's free money. Shopping sprees with a credit card are a big no no. Buying anything remotely expensive with your credit card because you don't have the cash is out of the question.

Don't think of a credit card as a way to buy things, think of it as a way to prove to the banks and home sellers that you're financially responsible. That's all a credit card is really good for. If you don't have the cash for something and can't be one hundred percent certain you'll have the cash at the end of the month, just go without it. Sorry to be so blunt, but the only way to not let a credit card ruin your financial status is to, well, is to be a plain ol' tightwad with it. When it comes to your credit, you simply can't afford to resort to the old shopaholic's motto of "You can't take your money with you when you die". With a credit card, a better motto is "If I can't take it with me, I'll have it shipped!" This isn't to say you have to pinch every penny you get your hands on, but be as conservative as you possibly can with a credit card, because the quickest way to get to the poorhouse is to treat a credit card like cash.

## SMART SHOPPING

One of the best ways to save money is pretty obvious, but for whatever reason, not really practiced by a lot of young people. Be a smart grocery shopper. We all need to eat, and we all have a grocery bill, but some people are spending hundreds more a month to feed the same number of mouths. First and foremost on the list of ways to cut your grocery bill in half: Embrace generic brands. Nine times out of ten, generic brands match name brands in blind taste tests, and in many grocery stores, the generic or store brand proves several times more popular than the name brand, either because it's just as good, or in some cases, because it's better.

Understandably, we all have a few luxuries where anything but our favorite brand just won't do. For example, who really wants a refreshing, ice cold cola soft drink? Nobody, that's who. We want an ice cold Coke, or a refreshing Pepsi. Just make sure to limit yourself on these preferences, because, honestly, name brand just doesn't matter when it comes to the basic essentials.

Another way to save money on your grocery bill is to shop around. Don't just go to one grocery store and call it a day. Compare prices at the various stores in reasonable distance. Some might offer lower prices on canned goods while another offers fresher produce which has lower risk of perishing before you've even used it up (this is another point; at least when it comes to perishables, buy groceries frequently, not just a couple times a month, as you're more likely to use all of a loaf of bread, all of a gallon of milk, and an entire bag of onions before they begin to go bad if you don't buy several at a time).

Make a list and stick to it as best you can, then start at the grocery store furthest from your home and work your way back, picking up the cheapest and best items on your way. It may be just twenty cents here and fifty cents

there, but you'll be surprised how quickly it adds up. Just one extra stop on your shopping trip might save you twenty bucks a week or more, and you can put that money towards eating out at the end of the week, or tuck it safely away into your investments.

## COUPONS

Clip coupons. Again, this is only a tiny bit of saving at a time, but it still adds up. Okay, you don't want to be the one person holding up the line for hours on end, rifling through a huge manila envelope of coupons. If you get too crazy about coupon clipping, you're going to wind up dedicating so much time to it that you might as well have taken on a second job. Rather, just take a look in the coupons you get in the mail or in the newspaper, and keep an eye out for coupons that'll help you save on the items you like to keep in stock.

## GOOD OLD HOME COOKING CAN SAVE YOU MONEY...

Learn to cook. Even if you already know how to cook, learn more recipes. When you get a good sense of what goes into a great meal, you can buy the less expensive raw ingredients and make an excellent meal from scratch every night. You can also get a good sense of what serves as an inexpensive substitute for an expensive ingredient. Not to mention, homemade food is healthier, tastes better, and is more fulfilling on a personal level than frozen pizzas and canned soup. Being a better cook also means you'll be less tempted to eat out all the time. If you have a habit of constantly hitting the local steakhouse because cooking just sounds like too much work, you may save yourself a hundred bucks a month by learning how to cook your favorite foods.

## DO IT YOURSELF

Besides reducing your grocery bill, an important money saving measure is learning how to fix things on your own. If you don't already know, then learn at least as much about caring for your vehicle as you need to, to not have to go to the garage every single time the engine doesn't turn. Learn how to unclog a sink without calling a plumber. There are plenty of sources online and at the library, loaded with tutorials on how to repair just about anything that can break.



## SET A BUDGET

Saving money doesn't necessarily demand that you simply stop enjoying yourself with a trip to the movies or a pair of new shoes when you have a few extra bucks at the end of the week. Set a budget up that covers all of your expenses, including investments, and take anything left over to just have fun with. If you want something that costs more than your disposable income allows and isn't a necessity, don't do something silly like dipping into your savings or your budget, just save up for it with your disposable income. It may require some lifestyle changes when you first start setting money aside for a savings account or stocks or buying a home, as you may be used to treating that portion of your income as disposable cash, but in the long run, you'll thank yourself for having the patience to spend wisely.

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## SMALL BUSINESS FOR FUN AND PROFIT (THE KEY WORD BEING FUN)

If you're looking forward to retirement as a way to simply get out of the hustle and bustle of day to day work, you might want to skip this chapter. However, if you're looking forward to having the freedom to pursue new ambitions and interests, then read on!

### DREAMS AND GOALS

Starting your own business is a dream for a lot of people around the world, but it comes with its fair share of risks, and there's always the possibility that the whole plan, no matter how meticulously laid out, will blow up in your face. When you have to worry about paying the bills, it's easy to want to stick to a career you know you can rely on rather than to invest thousands of dollars and countless hours into becoming your own boss. After retirement, though, everything changes. Without having to dedicate your days to a day job, and with, hopefully, a strong savings account or other investments to fall back on, the risk of running your own business is greatly reduced. These freedoms provide a golden opportunity to work in a field you enjoy without worrying so much about the bottom line.

What it's going to take to start an independent business all depends on your goals. You might have a fairly small scale concept in mind. If you want to sell your handiwork in the form of art or some such, you can get started for little more than the cost of materials and resort to online auction sites like eBay, or you can start your own website or even put an ad in the local paper to get your work out there.

Of course, if your project is a bit larger in scale, say, running a hobby shop, operating a bed and breakfast, we'll need to bring up credit once more (for the last time, honest!). The expenses of starting a business are a lot easier to cover when you've got good credit. Not only when it comes to renting or buying a shop to set yourself up in, but for buying materials and stock and for customizing your new place of business to reflect the image you want to

project to your potential clients or customers. So okay, honest, this is the last time we'll reiterate this point: Get good credit! Your financial future depends on it.

## GOALS AND PLANNING

Of course, as with any other major investment, the first step is to set some goals and start planning. Whatever you're interested in doing with a small business, figure out what it'll take to get started. Do a lot of research, as well. Even if you're just doing this to have fun, you don't want to be keeping your store open at a cost to yourself. Know your market. Say you want to open a hobby shop.

Ask yourself a few questions first. Is there another hobby shop in town already? What can I offer that my competitors cannot? Where would a hobby shop need to be located to really do well? Just because your bills are covered by your retirement fund doesn't mean you shouldn't try to develop a good business sense. Your business can survive a slow start as its reputation builds by word of mouth or advertising, but if your business doesn't at least break even, it may be time to rethink your strategy.

## LOANS AND GRANTS

It's not so difficult to get a bank loan for a small business if you have a solid concept and strong credit, but another option to look at is whether or not you could pick up a grant for what you're doing. If your business might help to reinvigorate a part of town that's been suffering, it shouldn't be difficult to get ahold of a government grant to get yourself started. If your business revolves around a concept that gives back to the community or promotes certain values, there are philanthropic organizations that might be able to help you out. If you just want to open up your own cigar shop or bar downtown, this might not really be a possibility, but if you think there's a chance that someone out there might really believe in what you're doing, there's no excuse not to at least do some research and see what kind of grants are available.

Besides the opportunity to pursue unrequited ambition, running your own small business also serves to, well, just give you something to do every day, an excuse to get out of the house. The last thing anybody wants to be is a cranky old shut-in who only steps outside to pick up the newspaper, and running a small shop is a great way to stay involved with your local community and a way to inject a little fresh air and sunlight into your daily affairs.

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# VACATIONS AND HOBBIES AND PERSONAL GOALS

The reason they call the period after retirement “the golden years” is simply because of the freedom retirement allows. Without having to contend with the daily grind, and hopefully, with all your expenses being safely taken care of by smart investing, you’re free to pursue everything you never had time to pursue, and at your own leisure, to boot.

### TAKE A VACATION

Whatever an individual wants to pursue after retirement is entirely up to the individual, but just as a suggestion: Take a long vacation and don’t worry about anything at all for at least a couple weeks. If you start planning a trip before you retire, you can have everything settled by the time you’re ready to take off and not have to spend your first weeks of retirement booking flights and buying luggage. If nothing else, this can be a great rite of passage into the most carefree time in a person’s life.

Of course, you may not want to jump into an extended trip right after you retire, rather, you may want to just take a little bit of time to spend with your loved ones or just sleep in every day for a week for the first time since your last high school summer vacation. Just keep in mind that one of the great luxuries afforded retirees is the freedom to just take off do whatever they please, whenever they please, personal finances allowing. Once you’re retired, as long as you’ve invested wisely, you’re pretty much all out of excuses to keep postponing that long overdue trip to Hawaii.

### STAY IN SHAPE

Here it seems like a good idea to make a strong recommendation that retirees take up a way to stay in shape. It can be hard to fit good exercise into a hectic work schedule, but without a career eating up your time, it should be easy to afford yourself an hour or two a day to jog a few miles, do some swimming, or take up karate lessons. It can be easy to fall into a stationary lifestyle when your job doesn’t keep you on the move every day, and the health risks involved in becoming a couch potato just aren’t worth it.

Apologies in advance if this sounds morbid, but staying in shape and eating right can mean the difference between twenty golden years and fifty.

## HOBBIES AND WHIMS

Besides vacationing or staying in shape, the free time allowed by retirement can provide you with the opportunity to pursue all the whims you never had time for during your time in the workforce. Whatever you've always had an interest in but just didn't have the time to pursue, retirement offers a chance to finally get to it. Be it some hobby you loved to spend hours and hours on as a kid but could never find time for while working, a deep passion for art, literature, science, or anything else that you've never been able to get around to, or just fixing up a classic car and cruising until the tires fall off, retirement should be dedicated to personal fulfillment. Heck, you might even get rich thanks to the inspiration you never had time to express, some of today's best selling authors and most well respected film directors didn't even begin their climb to the top until after retirement.

A recent study showed that, in the US, the elderly tend to be the happiest and most satisfied demographic. Common sense alone dictates that after enough years of experience, an individual will have learned what makes them most happy, and how best to pursue that happiness. As long as you're willing to grow and learn from the experiences life throws at you, it's safe to assume that the enlightenment, the wisdom of age, comes to us all. It's important to start investing and planning now so that you're free to follow your own path to contentment when the opportunity presents itself.

Of course, having gray hair isn't a requisite to this kind of contentment. It's hard to imagine someone retiring early at the ripe old age of forty and being unhappy. The freedom and stability that come with a solid retirement plan will go a long way towards making your golden years as golden as possible.

# 10

## THE FIRST DAY OF THE REST OF YOUR LIFE, NOT THE BEGINNING OF THE END!

No matter how well prepared you are to begin your golden years, the prospect of retirement can still seem a little scary. After all, you're trading in a lifestyle you likely have grown accustomed to after what may have felt like a lifetime in the workforce. There is also the cliché to contend with, that retirement is the last phase of life before death. To put it as gently as possible, this cliché is just plain crazy. If you've been lucky enough to have pursued your passion throughout your working life, well, you're probably not looking to ever bother retiring, but for the rest of us, a person's job does not define who they are as a person, what they're capable of, or what adventures they still have lying ahead of them.

Retirement is not the first step on the road to dying of old age, retirement is not your initiation into cranky-old-geezerhood, retirement is not one foot in the grave. Retirement is a new beginning, a rebirth into everything you love about life. An opportunity to dedicate yourself more completely to everything that motivated you to make it this far, to ever bother getting out of bed in the morning.

Besides the time you'll have in retirement to pursue the passions and interests that a career made unfeasible, retirement is also an opportunity to spend more time with your loved ones, to remember why you love them. To take time to enjoy your life at your own pace, to not restrict your pursuit of happiness to weekends and holidays.

True, when organizing a retirement, it may feel like you're "getting your affairs in order", there's a sense of finality to the process of leaving your job for the last time, knowing that you'll likely never see that place again. If you've cashed in your savings account, it may feel oddly fatalistic, drawing your money from a finite fund instead of living on limited, but renewable income. There's certainly a sense that retirement is the winter of a person's life, but this is an overly simplistic worldview. Throughout life, an individual goes through countless changes, countless symbolic deaths and rebirths, with one thing being given up and replaced with another. After retirement, health providing, you may not even be at the halfway mark of life, and with no day job to contend with, it's not unfathomable that your lifestyle may become, in fact, more dynamic and much more rewarding. To put it in a

corny sort of way, retirement allows an opportunity to find oneself.

Many people spend their entire career doing something that, quite frankly, doesn't really interest them all that much. That's not to say they don't take pride in their work, that they're bad at what they do, but simply that it's not exactly what they had in mind when they were younger, or perhaps it was only a fallback plan, necessitated by the need to make a living, but not completely satisfying on a personal level. Free of the worries of money and time, retirees are able to focus on their own personal fulfillment and to, in the words of mythology professor and philosopher Joseph Campbell, follow their bliss.

Retirement is an opportunity to reaffirm your own identity, to come full circle and rediscover the freedom, security, wonder, and curiosity that made childhood so interesting.

This brings us to the final and most important step in planning your retirement: Don't lose sight of what makes you happy. Don't let your job tell you who you are. Retirement will allow you all the time in the world to pursue anything you like, but that's no excuse to wait until then. Make time for what you love to do, make time for friends and family. It's corny and cliché, sure, but stop and smell the roses, today. Don't wait until you've retired to make yourself happy, do it today, and do it every day. When you retire, you can embrace life more freely, but, just like with a safe investment, building up credit, or shopping for a house, there's no good excuse not to start pursuing your dreams right now, the second you finish reading this sentence.

# I N C O N C L U S I O N

Hopefully, the text you've just read has provided you with some sound advice on how to invest in your future and form a solid retirement plan. Bear in mind that the global economy is in an unusual situation right now, and there's no absolute guarantee that, say, Wal Mart will still be a big dog on the stock market in the next ten years, or that home prices won't drop through the floor or shoot through the roof. Don't stop reading about investment and your retirement plan when you finish reading this page, use this text as a springboard. Keep looking for the better deal, keep an open mind and be willing to learn about new developments. There's no telling what the 21<sup>st</sup> Century is going to hold.

While things may change dramatically, perhaps in ways that none of today's experts have even foreseen, what will always hold true is that retirement is not one foot in the grave, it is not the beginning of the rest of your life, and there's never a good reason to get down on the whole idea or to embody the old fart stereotype and sit around in a bathrobe all day watching The People's Court and yelling at the neighborhood kids to get off your dang lawn. Retiring doesn't make you old. Heck, having a hundred and one birthdays under your belt doesn't make you old if the lust for life George Burns displayed in his later years is any indication. The only thing that makes you old is when you accept that you're old. You're not old until you decide you're all done having new experiences, making new friends, trying new things, going places you've never been before.

Even after retirement, keep up to date with your investments, look into new stocks, keep an eye out for competitive banks, more beautiful homes. You might even take up a part time job just for the fun of it (and it certainly helps knowing you can quit any time a senior employee starts giving you a hard time). Keep your options open, be flexible, be ready to learn, willing to listen. This is the geezer proof guarantee for retirement: Plan ahead, keep an open mind, stay active, and take care of your body, and you'll never truly be an old fogey.