



PROFESSIONALLY SPEAKING



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Pay Yourself First!

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The New Year often starts with many New Year's resolutions – most of which are difficult to keep. Now is a great time to act on a New Year's resolution that's easy to keep and can have a massive impact on your future!

According to the Employee Benefit Research Institute in 2011, about two out of three American workers are saving for retirement, but less than half are confident that they will have enough money to live comfortably through their retirement years. Of that "half," many have likely not accessed their situation adequately.

When you systematically contribute to a 401(k) or similar retirement plan, you practice one of the most important savings concepts: Pay Yourself First. Individuals who earn an income, withhold their taxes, and cash their paycheck usually find that there is nothing left to apply to long-term savings goals, or they simply never get around to it. However, those who "pay themselves first" are automatically and systematically contributing to their 401(k) before they

cash their paycheck. Not surprisingly, they can live within their budget just fine while they are concurrently saving for their future retirement goals!

Although it may be difficult to increase what you contribute to your 401(k), the good news is we frequently hear from employees that increased their retirement plan contribution, and within a few paychecks, they are used to the new amount they bring home and don't give it much thought after that. What a perfect item for a New Year's resolution – implement today, and then you can forget about it without having to feel guilty!

Here are some tips others have found helpful for easing the pain of saving more for retirement:

1. Increase the percent you contribute at the same time you get a raise. If your raise is 3 percent, increase your contribution by 2 percent. You will still see a raise to your take home pay and will never notice the difference.
2. Increase in baby steps. You can increase

what you are contributing by 1 percent per quarter and stop when you hit your goal. It is a small enough increase that it has a small impact on your current budget.

3. Pick a daily habit you are willing to part with – like a \$3 per day coffee for example. \$3 per day times 365 days = \$1095 per year. Assuming 8 percent average annual return over 30 years, that is over \$130,000 of additional retirement savings!

Keep your New Year's resolution simple this year and make an increase to your retirement saving!

Mike is a CERTIFIED FINANCIAL PLANNER™ practitioner and an owner of Independence Financial, LLC, an Oshkosh firm for 79 years. (920)236-6587 or Michael@IndependenceFinancialLLC.com.

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