

TULETT, MATTHEWS
& ASSOCIATES

FINANCIAL SECURITY FOR LIFE

Pre-Retirement Phase
Ages 50-65



PLANNING FOR YOUR PRIME
EARNING-POWER YEARS

INTRODUCTION

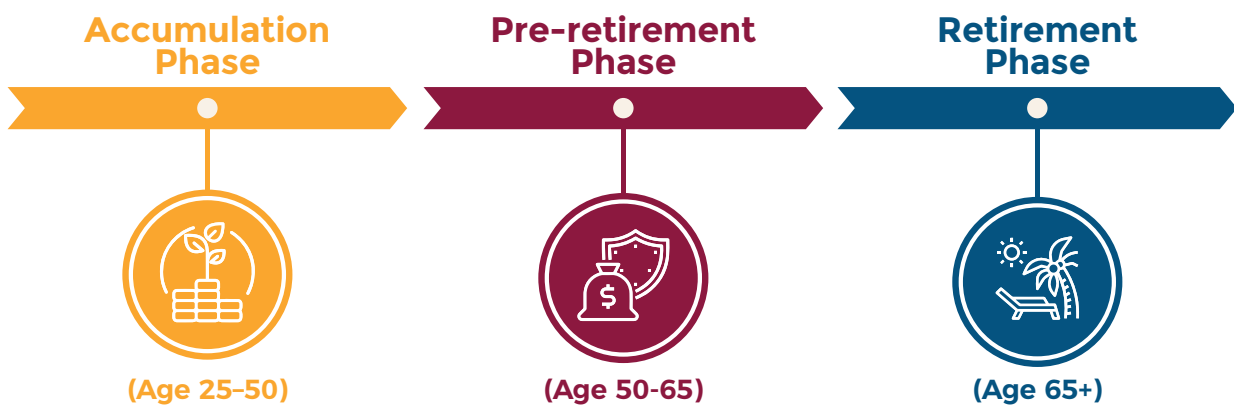
As we described in our book, [The Empowered Investor](#):

“Securing your family’s financial destiny—the core of becoming an empowered investor—involves more than just managing your portfolio and investments, although that is a crucial element. It means taking control of the financial planning process and developing a personal financial plan.”

In other words, if you don’t start with a plan, and then structure your investments accordingly, the money alone may not take you where you’re hoping to go.

That’s where personal financial plan comes in, to help you discover, document, and aim your money toward your heart’s desires. It goes beyond your investments, to take in every aspect of your life. Are you a business owner or an employee? Married or single? With children or without? Eager to retire or wanting to work as long as possible? A world traveler or happiest at home? And so on.

Your planning should also factor in where you stand so far. As the saying goes, a picture speaks a thousand words, so let’s illustrate rather than describe what we mean by that:



You’ll notice we’ve segmented life planning into three phases: accumulation, pre-retirement, and retirement. But these phases and age ranges serve as helpful guidelines, not strict parameters. For example, it’s never too late to focus on accumulating wealth, nor is there a bad age at which to manage your debt load. Just as each of us learns to walk and talk in our own good time, your own planning phases may march to the beat of a different drummer—and that’s just fine.

With that caveat, let’s explore each planning phase at greater length, from your foundational years, to your power plays, to when you start chilling out. In the meantime, if you have questions or comments about how to integrate financial life planning into your own life’s adventures, please reach out to us any time.

PLANNING FOR YOUR PRIME EARNING-POWER YEARS

Pre-retirement Phase



Recommendations

- Increase saving rate to 20% or more of family earnings
- Pay off debt
- Focus on moderate growth
- Protect your family with insurance
- Keep Wills & Powers of Attorney (POA's) updated

Once you've hit your career stride, you can start building on your foundation with some important power plays. And yet, tomorrow sneaks up fast. One day, you're in your 30s or 40s. Suddenly, retirement is tugging at your sleeve, and you're wondering:

Am I on track?

The longer you've been on your financial journey, the harder it can be to know where you're at.

Basketball, Michael Jordan, and Your Financial Power Plays

Have you had the chance to watch [The Last Dance](#) Netflix series, featuring basketball legend Michael Jordan? Besides being entertaining, the series is a helpful analogy for thinking about your own financial power plays.

Throughout his NBA career, Jordan scored many amazing achievements. He also worked through some demoralizing setbacks. Either way, he seemed to be guided by an internal compass that helped him never stop trying, as he played his own unique long game.

*"I can accept failure.
Everyone fails at something.
But I can't accept not trying."*

~ Michael Jordan

Likewise, your prime earning years call for sustained, deliberate efforts to create an enduring lifestyle once your career eventually winds down.

Putting Your Financial Gears to Work

As we covered above for your foundational years, here are the financial planning "gears" to crank on during your earning-power years.

1. **Investing:** If you've not yet got one, you'll want to have an [Investment Policy Statement](#) that reflects your goals and risks tolerances. The younger you are, the more you can typically focus

on accumulation, with higher exposures to market risks and expected rewards. As you mature, you may tilt more toward preserving what you've already got.

2. **Saving for Retirement:** In your power years, you'll probably want to step up your retirement saving to 15–20% of your annual income. Based on [Fidelity's Global Retirement Savings Guidelines](#) (see appendix), if you're 40 and you've not yet accumulated 3 times your current income, it's time to kick your savings rate into even higher gear. By the time you're 50, the goal is to have saved 6 times your current income, and so on.
3. **Debt management:** You'll also want to prioritize getting rid of mid-career debt, especially high-interest loans. [Canadian stats](#) suggest those in their 40s–50s may be most vulnerable.
4. **Risk management:** Insurance coverage is essential once you start having kids, with additional protection if you are a business owner or entrepreneur. Once you achieve empty-nest status, you may be able to back off from protecting against career hits, but insurance then may become an estate-planning tool.
5. **Estate planning:** As your wealth accumulates, you'll also want to have your estate plans in order, and review them every few years to ensure they remain relevant. Having a will with guardians named is especially essential for as long as you have dependents.
6. **Tax planning:** As your assets grow, so does the need to accrue, invest, and spend them in a tax-wise manner, lest you accidentally leave the government an extra-large "tip".

Overcoming Obstacles

We can't dodge all of life's mishaps, but we can avoid the following, self-inflicted setbacks that can chip away at your ability to save and invest during your power-earning years.

Fear of Missing Out (FOMO): In investing, FOMO tempts you to chase costly trends instead of taking a patient, evidence-based approach. In life, it spurs you to save less and spend more to "keep up with the Joneses".

Lifestyle Creep: As your income increases, it's only natural to increase your spending too. There's certainly nothing wrong with spending more as you earn more, but are you still diligently "paying yourself first" for future wants and needs? Are you keeping tabs on where the rest is going?

"Think what you do when you run in debt: you give another power over your liberty."

~ Benjamin Franklin

Underestimating Time: As touched on above, time has a way of deceiving us into feeling about 10 years younger than we actually are. That's mostly a blessing. But it can backfire if you hit age 65, and you only have the savings of a 55-year-old.

Underestimating Money: Many families don't realize how much it's going to take to replace roughly 75% of their pre-retirement income by the time they stop working. Figure, you can expect

to receive about \$19,000–\$20,000 annually in Canadian benefits: \$12,000–\$13,000 from the CPP, plus \$6,500–6,800 in OAS. The rest needs to come from your own taxable and registered investment accounts.

One Solution Fits All: Planning

Fortunately, there's one best defense against all these obstacles: robust financial planning.

Financial planning is a gift to yourself and your loved ones. It adds more control, better direction, and increased peace of mind. With a clearer view of what lies ahead, you're better positioned to take the actions you can, and achieve the outcomes you desire.

On the flip side, the absence of planning heightens uncertainty. If you're unsure your money will last, you may need to work longer, depend on loved ones for extra support, cut back from the lifestyle you've grown accustomed to, or otherwise make painful, undesirable tradeoffs later in life.

By taking the time to understand your saving and spending requirements during your career, and always putting money aside for the future, you stand the best chance of achieving personal satisfaction and practical success throughout your life.

Key Takeaways:

- Once you hit your prime earning years, you should be able to accelerate your saving and investing efforts. Still, you may wonder whether you're on track along the way.
- Financial priorities include continuing to invest toward retirement, avoiding debt, protecting your loved ones, and keeping an eye on tax strategies.
- During your career years, typical challenges to your financial well-being include Fear of Missing Out (FOMO), lifestyle creep, underestimating time, and underestimating money.

Additional Reading:

- **The Richest Man in Babylon:** George S. Clason
- **Global Retirement Savings Guidelines:** Fidelity
- **The Way to Wealth:** Benjamin Franklin
- **The Little Book of Common Sense Investing:** John Bogle
- **Retirement Planning Guidebook:** Wade Pfau, PhD, CFA, RICP
- **Your Complete Guide to a Successful and Secure Retirement:** Larry Swedroe
- And, as always, our own book: **The Empowered Investor**

Appendix

Global Retirement Savings Guidelines: Fidelity