If You're Focused on Saving Money for Retirement, Your Focus is on the WRONG Thing

By Samuel N. Asare, MBA, CRPC, CMFC

The most unfortunate and expensive mistake anyone can make in planning for their retirement is focusing exclusively on savings. We'd understand if you were a bit perplexed about our rigid insistence on this, because it runs completely counter to most financial advisors' advice: "All you have to do is save, save, save!"

Let us direct your attention to an interesting dilemma. Wouldn't you agree that almost everyone saves money toward retirement? That's what American workers are trained to do. Yet somehow, only a tiny percentage are able to achieve a comfortable retirement—financially speaking—which means that the majority miss the mark, some quite significantly. While various reasons may account for this, our years as eyewitnesses into people's retirement planning indicate that saving too little money is NOT one of them.

Most future retirees miss the boat because they focus on saving money without worrying about where they save it. Think about it this way: If the container into which you are saving has a leak, most of your savings will eventually drain out. Meanwhile, someone else who puts their savings into a leak-proof container will keep all their money and likely end up with much more than you, in spite of the fact that you might have "saved" a lot more.

Let's use a hypothetical scenario to prove this point. Assume it is January 1, 2007, and your investment account has a balance of $100,000. Let's also say you're using a traditional investment vehicle, whereby you can make unlimited gains or losses. For our scenario, we'll put your investment in the S&P 500 Index. We'll call this Strategy X.

Here are the results of your hypothetical investment over the past four years:

- The beginning $100,000 gained 3.53%, growing to $103,530 in 2007.
- Then it lost 38.5% and ended 2008 with a balance of $63,671.
- Then it gained 23.5% and rose to $78,634 in 2009.
- It again rose in 2010 by 12.8% to end at $88,699.

Now let's turn our attention to a little-known yet incredibly powerful approach we will call Strategy Y. Under this strategy, instead of putting your money directly into the stock market, we will link it to the growth in the same S&P 500 index in which Strategy X invested. However, we are going to cap your gains at 10%; BUT you will be ***guaranteed a minimum interest of 0%, so when the S&P 500 plunges, you won't lose anything.*** To prove our point beyond all doubt, we're going to fund Strategy Y with $80, 000, a full $20,000 (or 25%) less than the $100, 000 with which Strategy X started!

Now pay very close attention to the mathematical breakdown of this $80,000:

- In 2007, you gained 3.53%, increasing to $82,824.
- In 2008, since the S&P 500 lost money, you earned 0%, but kept your $82,824 balance, unharmed.
- In 2009, your gain was capped at 10% (although the index earned 23.5%), leaving you with an ending balance of $91,106.
- You gained another 10% in 2010 (out of the index's 12.8% actual gain) and ended the year with $100,216.

There may be some who will try to argue that our analogy focused only on the most recent four years (January 2007 through December 2010), and should have covered a much longer time period. The problem with that argument is that it fails to recognize the fact that it takes only *one* dip to ruin everything when it comes to investing.

So where is your nest egg saved? Is the container that's holding your life savings reliable? Please don't take a chance with your retirement because it's one loss you don't want to endure. We invite you to schedule a personal, private complimentary consultation with one of our experienced, licensed professionals to find out what you can begin doing today to fix any leaks in your retirement fund container. You may also join us at our next educational workshop, to be held Saturday, September 24, 2011, at 11:30 a.m. at the Holiday Inn right next door to Ikea, in College Park. We promise: *absolutely no strings attached*, whatsoever. But you must make an appointment and/or reserve your workshop seat at (301) 949-4449 or LaserFG.com. ✤

About the Author

Samuel N. Asare is the senior strategist at Laser Financial Group, LC., an accomplished income planning expert, a Chartered Retirement Planning Counselor, Chartered Mutual Fund Counselor, and author with a superb ability to simplify complex financial strategies. He regularly contributes to and is featured by various media outlets, including TV and radio. To request your complimentary, no-obligation consultation, get straight-forward answers to your questions, or simply for great retirement insights, call (301) 949-4449, visit LaserFG.com, or connect at facebook.com/LaserFG