

7 FINANCIAL PLANNING MISTAKES

— EVERY —
BABY BOOMER
— NEEDS TO AVOID —



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INTRODUCTION

“ Up to 75% of Americans have less than \$30,000 in their retirement accounts. ”

Too many times I sit across my desk from Baby Boomers and see how unprepared they are for retirement. Often times I have to deliver bad news: You need to work much longer than you expected, you will not be able to live the lifestyle you dreamt of living in retirement, you may have to ask for assistance to financially survive retirement.

These are certainly not conversations that are easy to have. You see, unfortunately, when it comes to preparing for retirement - many Baby Boomers are surprisingly unprepared. In fact, the statistics behind this are shocking. According to an article in the New York Times titled: Our Ridiculous Approach to Retirement, [“Up to 75% of Americans have less than \\$30,000 in their retirement accounts.”](#) This means that they will be living off of very little money once they stop working full-time. To make matters worse, they are under the illusion that they will be able to keep working until 70 to have sufficient funds available to live their current lifestyles.

A common rule of thumb in personal finance is for people entering retirement to have 20 years worth of their annual income saved up. This accounts for at least 20 years worth of retirement where you are able to live your current lifestyle, and it could last even longer if you cut back on expenses. In spite of not having anywhere close to this amount, many Baby Boomers enter retirement under the false belief that they are adequately prepared.

The sad truth is that bad things often happen to good, well-meaning people. Through ignorance or a lack of awareness, they quickly find themselves in financial holes that they will be unable to dig themselves out of. Retirement suddenly doesn't look so good. And their options are few and far between. More often than not, Baby Boomers will end up having to work longer hours to keep themselves from drowning in debt. Children and other family members may end up having to pitch in to help cover their living costs.

In worst case scenarios, they might have to spend the rest of their lives living off of meager government payments that help them do nothing except barely survive. This transforms into a cycle of constant regret, where Baby Boomers wish that they had started planning much sooner, or come across this kind of information earlier in their lives!

THAT'S NOT YOU!

But that's not you. You will never have to be in these dire situations! Not for you, and certainly not for your loved ones. You've worked way too hard and come way too far to allow poor financial planning to stand in the way of living your best life in retirement. Whether someone has inspired you, or a late payment lit a fire underneath you, you're ready to take charge of your financial future and ensure that you will NEVER be a burden to your family.

However, that burning passion won't be enough. Not only do you need a deep desire to accomplish your financial goals, but you must also pair it with smart strategies that will ensure a stress-free and joyous retirement. There's nothing more sad than to see someone who's achieved financial success, only to lose it in the last quarter of their life because they became complacent.

Whether you're somebody who's just started to take your finances seriously, or you're a lifelong student of personal finance and fiscal responsibility, this ebook is for every single Baby Boomer who wants to ensure a stable future for many years to come! If these tips are completely new to you, great! You can get started as early as this very moment and begin taking control of your financial future! If you are a seasoned veteran and you've heard all of these things before, that's fantastic! You have the opportunity to review the fundamentals and continue doing the same things that have worked for you so far!

With that said, let's jump right into *7 Financial Planning Mistake That Every Baby Boomer Needs To Avoid!* Because as important as it is to know what to do, it's equally important to know what NOT to do. So take the time to read each mistake slowly and really think about the consequences that you will face if you end up making any of these 7 mistakes!

MISTAKE #

1

NOT TAKING FEES INTO ACCOUNT

“ According to the Center for American Progress, the average worker will lose \$70,000 from his 401(k) to fees. ”

This is by far one of the most criminally under-rated talking points of personal finance as it pertains to Baby Boomers. It is not talked about very often, yet affects everybody no matter their financial status. Therefore, every single Baby Boomer reading this ebook will want to pay close attention!

Hidden fees (only read the fine print) include costs of fund operations and investment management expenses. In a nutshell, what happens is that a certain percentage of your account balance is allocated to managing your investments. You might not think it's substantial, but consider the following:

The average Baby Boomer's 401(k) that is invested in mutual funds is paying approximately 2% in fees and expenses each year. If you could shave 1 percentage point off that, it could save you more than \$225,000 over the next 20 years. That's right - you are being charged a significant sum of money that would otherwise have

gone towards your savings. For the affluent Baby Boomers who has a significant amount of money invested in these accounts, the fees are much, much higher!

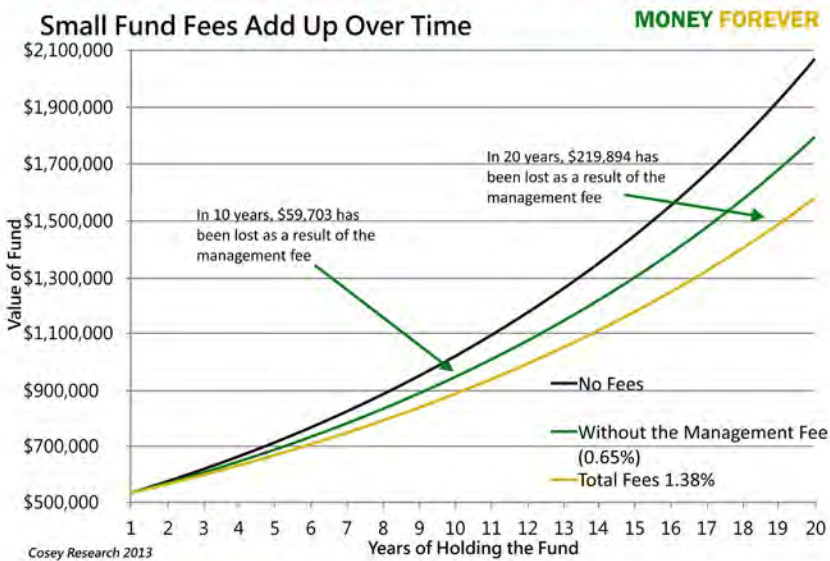
Here's another scary statistic: According to the Center for American Progress, the average worker will lose \$70,000 from his 401(k) to fees. That's not even taking into account the higher percentage of money that people lose to employee-sponsored IRAs. The promise of high yields might be encouraging, but compare these account fees to ones attached to lower-yield options to determine the true value of your investments.

You want to make absolutely certain that you understand every single fee involved in your investments. Be sure to be crystal clear what the total amount adds up to in terms of the *dollars* being paid out from your account.

Here's why all of this is so important: The compound effect. Albert Einstein is said to have called "the power of compound interest the most powerful force in the universe." While that may be true, fees compound as well. Unfortunately, when fees compound the power of compounding is actually working against you and robbing you of the potential to grow your nest egg! The outcome you receive with a given stock investment, for example, could completely change drastically depending on the mutual fund you use and the management fee structure that comes with it!

Here's a visual representation of how the above point plays out over the time period of a few decades. It's easy to dismiss the compounding effect of fees until you realize how as much as a 0.5% difference makes over time. Just imagine how much money ends up being applied to fees for those who have millions of dollars placed into these funds!

How Big Of a Difference Does a 0.65% Management Fee Make?



source: <http://www.wealthwire.com/news/finance/4922>

MISTAKE #

2

FAILING TO PROPERLY PLAN

“ *The biggest financial regret of Baby Boomers was not starting to save and plan for their financial futures* ”

How many times have we heard the well worn statement: Failing to plan is a plan to fail? Not planning for your retirement is a crucial mistake. And it's one that unfortunately many Baby Boomers are making. There's a new TV commercial that shows a woman volunteering to clean the oven and a man volunteering to clean the gutters on their home rather than meet with a financial professional and plan out their retirement. Why is this such a difficult task? How much pain is associated with facing the fact that planning out your retirement is essential to making certain your money does not run out before you do?

Sadly, many Baby Boomers put off planning for their retirement future way too long. It's important to acknowledge before we go any further that many Baby Boomers don't even start planning for retirement at all. In some cases, by the time they finally decide to get around to it, they realize that they should have started earlier!

[An online survey](#) conducted by the US Savings & Investment Group Standard Life revealed that the biggest financial regret of Baby Boomers was not starting to save and plan for their financial futures. This held true for 1 out of every 5 individuals surveyed, and the lead researcher points out the importance of this shocking statistic:

"This new research should come as a wake-up call to the many people who aren't saving enough for when they retire. The value in starting to save early is clear in terms of increased potential for growth. We also know from previous research that parents often find they need to de-prioritise their own saving when they are older, to help support their adult children with large expenditure such as university fees and deposits for their first homes. So trying to close up a savings gap later on in life can be really tricky. We should all learn from the experience of Baby Boomers and start saving as soon as we're able to, so we don't share the same regret when we're older."

"Our research shows that people are becoming better at managing day to day money, but are less smart when it comes to saving for the future. If you haven't started saving towards your retirement, or if you started then stopped, the important thing is not to panic."



It's a matter of taking control, working out what you can afford and getting into a habit of saving regularly."

What's the main takeaway from all this? GET STARTED! There's an old saying that the best time to plant a tree was 20 years ago, and that the second best time to plant that tree is right now. It doesn't matter what your first step is, or how big it is, but it is important that you prepare yourself for the future. Your friends and family may mean well, but they are not professionals and may not give you sound advice. This is why you should seek out the help of a financial professional, especially if you don't know where to begin! Anything that gets you motivated to take action is a great step in the right direction.

You don't want to be one of the 20% that regrets not starting earlier. The unfortunate thing about regret is that it starts small, but gets larger over time when it is not fully addressed head-on. It is never too late to start, but it is always too early to quit!

MISTAKE #

3

ASSUMING WHAT WENT UP WILL CONTINUE TO GO UP

“ One of the biggest problems when it comes to investments is that we not only put our hard earned money into them, but our emotions as well. ”

“Trees don’t grow to the sky.”

We’ve all heard the time-tested advice of putting our money into the stock market to help our investments grow over time. However, this advice comes with many problems that if left unresolved could hurt us more than it can help us!

One of the biggest problems when it comes to investments is that we not only put our hard earned money into them, but our emotions as well. Many investments can indeed be beneficial over

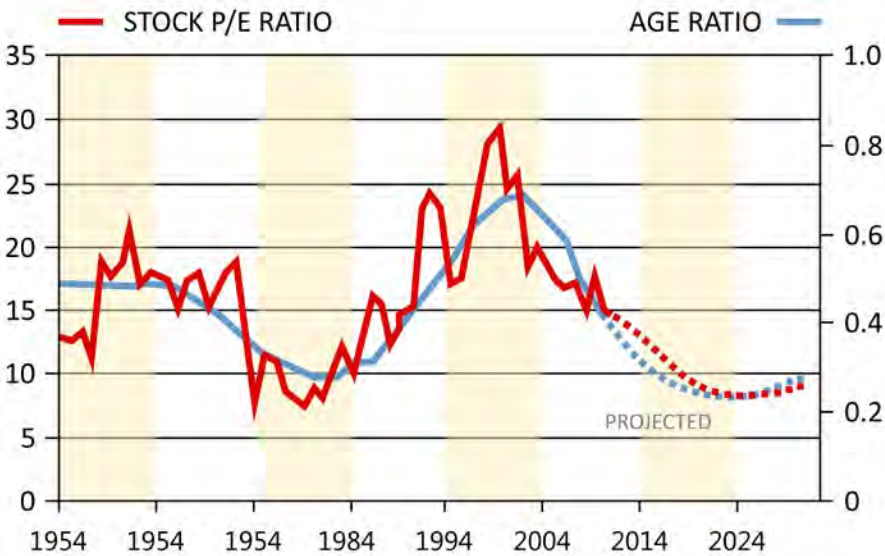


time, but this only works if you have a well-diversified portfolio and you've spent a significant amount of time in the market. Note that this does not involve timing the market, which our emotions tend to lead us towards.

This kind of obsession is particularly seen in Baby Boomers who attempt to “play” the stock market aggressively. Any veteran investor who has seen long-term success is well aware of the market’s ever-changing volatility, and knows that they cannot predict the direction of the market.

Boomer selloff?

In a recent paper, two economists from the San Francisco Fed argue that stock prices are headed lower as aging baby boomers cash out their investments to pay for retirement.

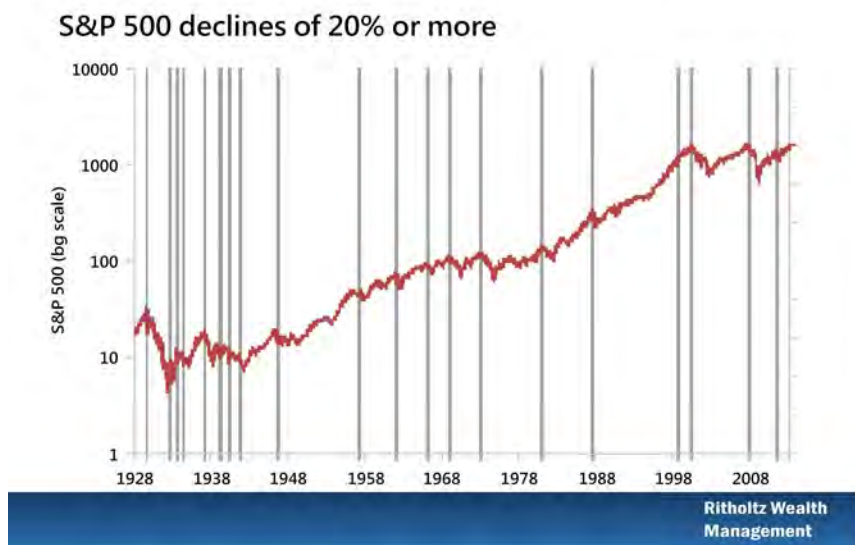


source: http://www.nbcnews.com/id/44243182/ns/business-eye_on_the_economy/t/baby-boomers-may-be-bad-news-stock-market/

If you take a look at the graph above, you will notice that things are not improving for Baby Boomers. As more continue to cash

out on the investments they have made, their earnings from their portfolio only continue to decrease over time. A typical Baby Boomer investor will ignore this data and continue to hold on to their stocks while thinking that this will not affect them. However, this is improper thinking. This means that your withdrawal of your investments will also affect future Baby Boomers, and at the same time your potential earnings are affected by Baby Boomer who withdrew from their investments before you did!

If none of the above has taken you aback, then here's another stark reality depicted by the graph below:



source: <https://investingcaffeine.com/2014/06/07/get-out-of-stocks/>

That's right – there are an increasing number of high-profile stocks that see declines of 20% or more at some point in their lifetime. Many Baby Boomers may not be able to stomach the reality of the market's volatility! If you do invest, only do so with professional guidance and a well-diversified portfolio! This reiterates the main lesson behind mistake No.3 – what goes up will NOT always continue to go up, and in some cases may go down to your detriment!

MISTAKE #

4

RETIRING TOO EARLY

“Baby boomers tend to spend more of their new-found time in recreation and often want to take more frequent vacations.”

With many years of their life dedicated to a single career, many Baby Boomers are anxious to reach the retirement phase and enjoy the benefits of not having to work full-time. More often than not, this ends up being a common mistake that is not realized until many years later.

The fact of the matter is that there are a large number of Baby Boomers who still have many years of great health and energy behind them. Why would you want to put all of that potential to waste in retirement? You are better off spending your remaining years of vitality in your career and making the biggest impact possible. Not only will you earn more money that can go towards your savings and retirement funds, but you will be able to stay productive as well. Many people find that doing the extra work helps to maintain a sense of purpose and well-being.

The fact that many Baby Boomers retire too early stems from the misguided belief that they already have sufficient funds to live

through their retirement. From this, there is a huge tendency to severely underestimate what their annual spendings will be based on their new lifestyle. Baby boomers tend to spend more of their new-found time in recreation and often want to take more frequent vacations. What they do not realize is that all of these expenses add up over time, and before they realize it they are out of funds.

In each of these cases, there was always a major factor that was not taken into account. Whether it's insurance, health care, or living expenses, or a longer life expectancy, the time will come when baby boomers look back and realize that they needed more. They should have saved up more money from the start, spent less during their extravagant retirement, or a combination of the two.



source: <http://www.gallup.com/poll/181292/third-oldest-baby-boomers-working.aspx>

A Gallup poll conducted in early 2015 shows that there are a staggering amount of male and female Baby Boomers are cashing out early. As you can see in the graph above, many people start retiring many years before the Golden Age of 65, and the trend doesn't appear to be going the other way anytime soon.

Unless you have calculated how much you will be spending every year, have that amount reliably saved up for the next 20-30 years, and have backup sources of income from other family members, it would not hurt to work a few more years before retirement. Many companies offer the option for seniors to continue working, and you have the option of scaling back your hours towards a part-time work schedule.

We will transition to mistake #4 with one final thing to say: You cannot qualify for your Social Security benefits until the age of 66-67, so take advantage of the time that's ahead of you!



MISTAKE #

5

UNDERESTIMATING INFLATION

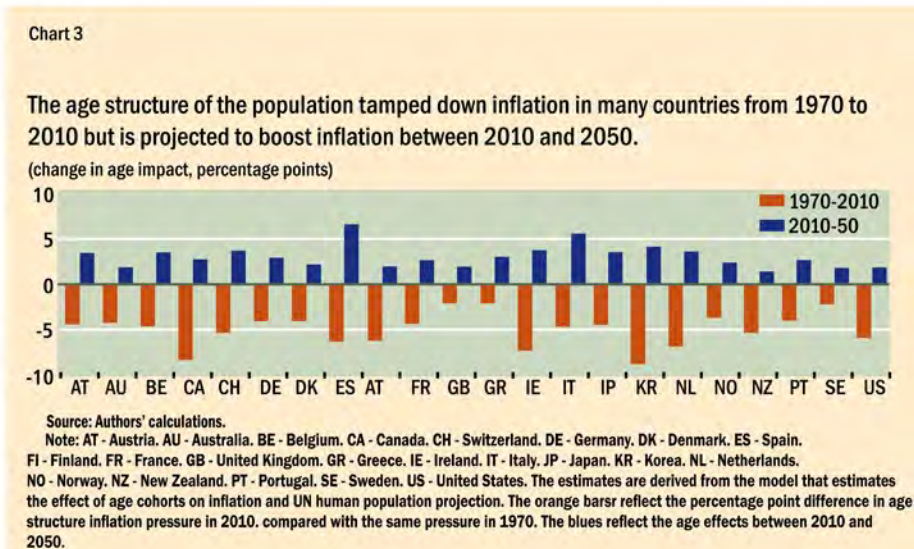
“ It may be faster or slower depending on where you live, but it is inevitable. ”

Everybody knows that over time, the price of goods and services in an economy will increase. It may be faster or slower depending on where you live, but it is inevitable. It's one thing to be aware of this, but another thing to plan and account for it in the future.

The question to ask, is how much of an effect inflation will have on today's Baby Boomers. Is it going to affect them more severely than inflation of the past, or is all this talk on inflation a paranoid over-exaggeration of what is to come?

The graph below shows that for the next 40 years or so, the current age structure of many countries all over the world is projected to boost inflation rates. This makes sense as many of the early baby boomers are retired, and the rest of them are now starting to reach that critical milestone in their lives. The authors that made the same graph above also found that the age groups of 5-24 years old and 65-79 are the ones that contribute most to the rise of inflation, with

the middle group having the opposite effect. This was based on data from 22 developed economies from 1955-2014.



source: <http://www.imf.org/external/pubs/ft/fandd/2016/03/juselius.htm>

What does this mean for baby boomers? Your best bet would be to estimate what you will spend per year in retirement based on living expenses and lifestyle, and add on an additional 15-20% to the total. This is an extremely conservative estimate, but you will be protecting your bottom line against inflation.

MISTAKE #

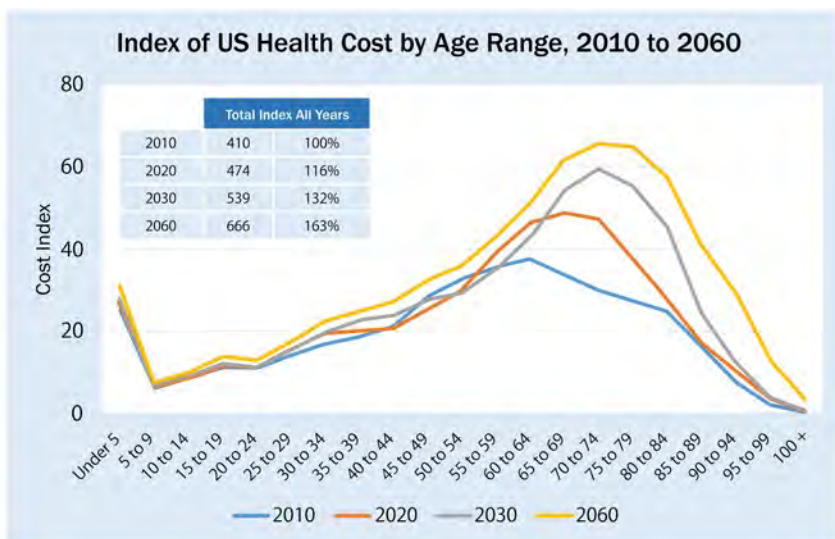
6

NOT PROPERLY PREPARING FOR RISING HEALTHCARE COSTS

“ No matter the ailment, there are significant costs to treating these conditions. ”

Unfortunately for many Baby Boomers, their health will gradually decline over time. Many are not able to maintain the same diet and exercise regimens that they did when they were younger, and will find themselves falling prey to increasing health concerns. Some will become victim to degenerative and terminal diseases that will reduce the quality and quantity of life that they have left. Others may suffer a physical injury that limits their ability to move around and live a normal life.

No matter the ailment, there are significant costs to treating these conditions. Even with a solid insurance plan, the medications and visits are not getting less expensive anytime soon. The fact is that insurance can only do so much before the patient has to pay out of their own pocket for the treatment they are receiving. If you are staying in a hospital for an extended period of time, expect those costs to skyrocket.



source: <http://emcanalytics.com/lets-give-some-credit-to-cms/>

As you can see, it gets increasingly expensive to take care of people in the age range of the Baby Boomers and the costs aren't going to be going down anytime soon (if ever). This is easily explainable by the fact that the injuries and diseases sustained by Baby Boomers requires more expensive medication and increased doctor visits to cure or mitigate.

Although it is impossible for Baby Boomers to predict the long-term future of their well-being, it would be in your best interest to begin putting money away towards an emergency fund that you can use to cover any surprise health costs that come your way. A good benchmark would be 6-12 months' worth of income, although I typically advise my clients to have much more than that.

MISTAKE #

7

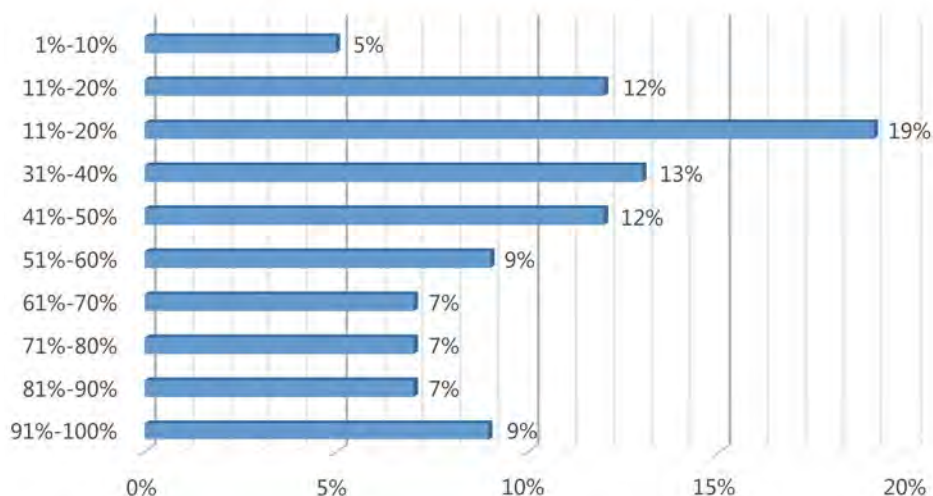
PLANNING TO DEPEND SOLELY ON SOCIAL SECURITY

“Many Baby Boomers make the mistake of depending entirely on Social Security for their retirement.”

The Social Security Act is a government-created act that was put into place in 1935 to provide social insurance for those who are in retirement, unemployed, or disabled. Workers make regular contributions to this fund in order to pay for the benefits they will eventually need from retirement. Of course, a program like this works on the contingency that the money going into the fund is equal to or exceeds the amount put in, or less money is taken out of the fund by the individual.

Many Baby Boomers make the mistake of depending entirely on Social Security for their retirement. Often times, when people carry this detrimental mindset, it usually means that they are compensating for a lack or non-existence of their own money that has been saved up over time. If a Baby Boomer is unfortunate enough to buy into this myth early enough in life, they never have any motivation towards developing the financial habits needed to succeed.

Social Security's Expected Share of Household Income in Retirement



Source: <http://www.fool.com/retirement/general/2015/12/06/baby-boomers-social-security-woes-summed-up-in-1-c.aspx>

Pictured above are the results of a study conducted to assess what percentage of their income Baby Boomers expected Social Security to compensate for upon retirement. The results are not good, with only half of the subjects showing a realistic expectation of how much Social Security is going to help them (below 50%).

With the funding for Social Security running out of money due to the increased amount of retired Baby Boomers, combined with the fact that life expectancy has dramatically increased over the last few decades, puts unprepared Baby Boomers in a very tight spot. Assuming that they will receive any kind of benefits before the labor force can no longer generate sufficient revenue, it will be minimal. For most, it will barely be enough to cover living essentials on a monthly basis.

This doesn't mean that people shouldn't sign up for Social Security and reap the benefits available, but it is important to be brutally honest about what it can and cannot do for you.

CONCLUSION

“ If you don't change the direction you're headed, you'll end of where you're going. ”
~Chinese Proverb

While there are many more mistakes Baby Boomers make when planning for their financial future, the 7 mistakes covered in this ebook are by far the ones that I see most often. These 7 mistakes can have the greatest impact on your future and quality of life.

Now that you know what NOT to do, you are more likely to head in the direction of doing the things that will bring you closer towards financial security and independence. There are fewer things more exhilarating than looking back on the years and seeing how the choices you have made have added up towards the success that you have today.

Hopefully, you will take the information in this short ebook and put it to good use. Knowledge is power, but only when it is applied and acted upon. You may have known some of these mistakes prior to reading the ebook, but are you actively making efforts to avoid making them?

If you liked the content that you just read, please share it with your family and friends! They deserve to know the truth about the financial planning traps that many people fall into. You may not realize it, but your generosity in giving them this information could make the difference between wealth and ruin for the people you care about!



ABOUT THE AUTHOR

Jeremy Sakulenzki



Jeremy Sakulenzki is the founder of South Texas Wealth. He runs a financial planning practice where he helps people ethically achieve their financial goals. His firm is rooted in the fundamental principle that you should always make certain your values dictate your goals. Never allow your goals to dictate your values.

Jeremy was born in McAllen, Texas. His mother is the President & CEO of the Rio Grande Valley Hispanic Chamber and his father owned several companies. Every summer throughout Jeremy's childhood he spent working for one of my fathers companies.

Shortly after graduating from Texas A&M University with degree in Business and two minors in Economics and Psychology, his father passed. This left his family with a seemingly insurmountable mountain of debt. Thier CPA informed them that if their stepmother had passed away as well, they would have had to sell the companies his father worked hard to build along with their houses, cars, ranch property - everything, just to break even, and still have to owe a huge sum of money in taxes.

With this tragic event etched into Jeremy's mind, he made a commitment that he would never allow anyone else to end up in a similar situation as he found himself and his family. This sparked a burning desire in him that led to pursuing a career in the financial industry. After applying to, and receiving numerous offers for interviews in the finance sector, he chose to work with New York Life.

Eventually, Jeremy resigned his position at New York Life and started South Texas Wealth, a firm that he dedicated to helping people manage their finances and protect themselves from unforeseeable circumstances.

Being the founder of his own firm, Jeremy now has the ability and freedom to offer what is right for his clients. Jeremy and his firm specializes in protecting Baby Boomers retirement savings and he pride himself on being one of the best when it comes to servicing his clients.



If you would like to schedule a no cost no obligation, confidential review with Jeremy, you can contact his office at (210) 960-7899 or email him directly at Jeremy@SouthTexasWealth.com.