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The Retirement Planning Eras Tour**

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**The Retirement Planning Eras Tour**

**The Retirement Planning Eras Tour: What to Focus on in Each Decade**

Tell us something: would you wear the same clothes you wore in your 20s in your 60s?

Not likely.

If you wouldn’t wear the same clothes, you probably shouldn’t have the same financial plan. While fashions tend to be cyclical, financial planning needs to change periodically and you shouldn’t have the same plan in different decades of your life.

And while we won’t judge you for wearing the same clothes over the decades if that’s what you want to do, we don’t want you to ever be caught with the same financial plan you had in your 20s.

To that end, give us a call and let’s see if your plan is up to date. In the meantime, we wanted to share some general financial planning characteristics of each decade and milestones you should keep in mind to set you on your path to financial freedom.

**The Foundational 20s**

Your 20s are the foundational stage where you have the most appetite for risk. It’s during this time you want to start building good financial behaviors and getting into habits like stashing away a certain percentage of your paycheck for savings and building your retirement account.

Here are some planning milestones to consider while in your 20s (or to make sure your loved ones in this age group are doing!).

**Investing in your education.** In your early 20s, you’re likely graduating from college or trade school. But perhaps you might need more certifications or an additional degree – like a master’s degree – to maximize your earnings. Investing in education or training to maximize your salary earlier on will have compounding effects over time.

**Start stashing away cash.** Ensure you’re signing up for your company’s 401(k) and getting the full employer match. Start building up your emergency fund. And for both of these, try to automate it so you don’t have to think about it.

**Start taking some risks.** We’re not talking about buying a motorcycle and speeding down the freeway – we’re talking about investing. You have the longest time horizon in your 20s, so take some risks. Don’t be too conservative.

When it comes to your 20s, experiment with your jobs, also. Find something that will help you grow and learn skills that can help you earn more in the long run. And most of all – enjoy your 20s. They’re over faster than you might think.

**The Happy 30s**

You starting taking risks and dabbled in building a foundation in your 20s. But now that you’re in your 30s, Investopedia reports that you should wrap your mind around the fact that you’re about halfway to retirement.1

We like to think of your 30s as a time to move into the learning and management phase. In this decade, it’s time to focus on:

**Managing your debt.** Make a plan of attack for your debt, including credit cards, mortgage, car loans or student loans. We can help you develop the right plan for your specific debt obligations.

**Stick to your budget.** Investopedia notes that you may have developed a budget in your 20s, but your 30s is the time to actually stick to it. This is easier said than done.1 At our next meeting, let’s revisit your budget and ensure it reflects what’s possible while keeping your financial plan in mind.

**Designing the right insurance coverage.** Open enrollment already passed, however, if you have a qualifying event (death, divorce, etc.) you can revisit your health coverage. Or, when open enrollment rolls around at the end of the year, give us a call and we can go over your options before you finalize everything. In addition, you want to ensure you have the right amount coverage in life insurance.

**Continue to build up your retirement savings.** If it wasn’t feasible in your 20s to contribute enough to get your company’s match, be sure you up your retirement contribution to get the full match now in your 30s – you should be making a bit more now! In addition, we can consider opening up a Roth IRA or other retirement savings vehicles.

Some people consider the 30s the best years. But we feel the best years can come during any decade. Personally, the 40s are starting to feel like they’re the new 30s.

**The Mindful 40s**

This is what we like to call the mindful era. In your 40s, you want to be and stay mindful – both personally and financially. Stay mindful of taking care of both your health and wealth in this decade.

**Increase retirement savings and periodically ensure you’re on track.** These are usually your peak earning years, so it’s wise to increase your retirement savings and add investments that will lead to increased wealth. The Motley Fool also notes that in this decade, you want to check in frequently and ensure you’re on track for retirement.2

**Work toward paying down non-mortgage debt and cut out unnecessary expenditures.** Ensure that during your 40s, you continue paying down non-mortgage debt so that you can have more cashflow available moving into your next decade. And speaking of cashflow, try to minimize unnecessary spending. We can work through your budget and identify any areas where you might not need to spend.

**Put an estate plan in place.** You might be starting a family or have people who depend on you (and your paycheck). You don’t want to leave them in a lurch should anything happen to you. So in this decade, let’s put together an estate plan that we’ll continually revisit in the rest of the decades.

**Keep calm, carry on.** Be mindful of your health and your emotions. Take care of your mental and physical health. While you should be doing this during all the decades, it’s critically important in this decade.

Your 40s will set you up for a successful start to your retirement planning, which actually starts in your 50s.

**The Almost-There 50s**

You’re almost to retirement in your 50s and that means it’s time to start retirement planning. We start retirement planning in this decade so we can identify any gaps in your plan and what it needs to cover and make adjustments to get you on track.

Here are the things we should be focusing on in your 50s.

**Planning for the income you’ll need in retirement.** We need to be the architects of planning for your retirement income starting now. Let’s plan to sit down soon and see those balances in your retirement accounts to identify if there will be a shortfall. Let’s check in on your Social Security also.

**Get more aggressive with paying off debt and protecting your emergency fund.** This is the time to aggressively pay down debt, both non-mortgage and mortgage debt alike, reports the AARP.3 Also, the AARP notes that you should also ensure your emergency fund is stocked and protect it from yourself – meaning don’t just use it for any old thing.

**Revisit insurance needs and estate plan.** We should review your insurance needs in every decade, and in your 50s, we should also explore adding some long-term care insurance into the mix. The reason being is that long-term care insurance is more affordable and easier to qualify for in your 50s. Plus, let’s review the estate plan we create in your 30s to see what changes we need to make.

**The Final-Countdown 60s**

If we were to pick a theme song for our 60s, we’d play Europe’s “The Final Countdown” – to retirement of course.

This is the time. Retirement is coming. Whether it’s five or eight years into this decade, retirement is here. And everything we’ve worked for and planned for is here.

Here are the things we should focus on in your 60s.

**Putting your retirement income plan into action.** It’s time to make that shift from saving to spending – keeping in mind the sums that you’ve amassed need to last throughout your retirement. Work as long as you can and if you’re healthy, defer your Social Security payments.

**Redefine your purpose.** As our clients enter retirement, many of them find it hard to adjust. Let’s take some time to map out what you want your purpose in retirement to be. Let’s talk about some activities and hobbies you’d like to pursue and make a plan to get those started. It’s critical that you stay engaged and redefine your purpose so you have a fulfilling retirement.

**Finalize your estate planning.** We put together an estate plan in your 30s, but this is the time to revisit and finalize your plans. Review your insurance policies and your beneficiaries. Ensure you have your medical and financial powers of attorney in place. And make sure all of your assets are titled the way you want them to be titled.

**A Plan as Fabulous as Taylor Swift**

Taylor Swift’s Eras Tour amassed more than $4 billion in revenue for the singer.4 Your retirement planning eras tour likely won’t result in that much cash, however, we can still plan for a successful retirement regardless.

And as you transition from one era to the next, it’s important to review and adjust your financial plan accordingly. But this isn’t a comprehensive guide in any way. A plan should take into account your circumstances – which is why you have us. Let’s build and revisit your plan soon.

**Sources**

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