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Do You Believe in Magic?

In August 1965, the Lovin' Spoonful released their first hit song "Do you Believe in Magic" written by John Sebastian. According to the lyrics, the magic referenced in the title was the power of music to supply both happiness and freedom. In order to have a happy retirement it takes more than the power of music, it takes discipline.

Over the years I've come in contact with many individuals. There are those who wish they had something versus those who make it happen. For the sake of this article the names have been changed to protect the innocent.

Anne was an all-around great person, who cared for people. She was a dreamer even in her later years. We have all known an Anne, as they seem to work everywhere.

Anne was an administrative assistant. She was also a person of fashion and always dressed meticulously. She was divorced, surrounded by a loving family and coworkers, who cared for her. She always had a job but never liked her job. The idea of working 9 to 5 every day of her life was a chore. The only planning Anne ever did was for vacation. I'm sure if her supervisor had ever looked at her internet history they would've seen that she spent a lot of time visiting travel sites planning next year's vacation. She was a person of today, not tomorrow.

Anne had a 10 year itch. She said that once she worked in a job for 10 years, she would get the proverbial itch. She scratched it by changing jobs. Like many private sector employees, Anne did not have a pension but she could participate in a 401(k) plan. Basically, with a 401(k) (defined contribution plan) if Anne did not contribute, her employer did not have to put any money in. Thankfully, Anne contributed whatever it took to get her company's maximum contribution. Fortunately, when Anne got the itch to change jobs, she was always vested and able to take her money along with the employer match.

I met Anne when she turned 60. While there to review her company's retirement plan with employees, her boss suggested that Anne sit down with me and discuss retirement planning. Over the next five years I saw Anne twice a year, but never did sit down with her. There was always something going on in her life that stopped her from sitting down with me.

Anne had one of those large, calendar desk blotters. The first thing Anne did each morning before she took off her coat was to cross that day off the calendar with a black magic marker. She had already circled the date she would turn age 65, her retirement date. Like the song, she believed in magic. While there one day I witnessed this ritual and asked her what she was doing. She simply said I'm one day closer to my retirement. Although she knew retirement was better than a year away, she prepared for it by crossing off a date.

Age 65 did come along and retire, she did. She always said to her coworkers, "I can't wait until I retire". Did she like her job? My guess is yes, but she said "I will LOVE retirement".

When her big day finally came her employer threw her a retirement dinner. When she arrived that night, she glided into the room. She looked magical!

A month after she retired our office helped her move her 401(k) plan into an individual retirement account she already owned. The question I asked then now that I had her attention was did she have enough money to last in her retirement. She told me she was good to go, whatever that meant. In her mind, she had attained age 65 and she was entitled to retire. Well, that was seven years ago and I recently ran into Anne. I asked her how she was enjoying retirement. She said I am loving it but I'm not sure what I'm going to do. Anne said she will run out of money later this year, at the tender age of 72.

Remember, you don't retire from something rather you retire to something. Age is nothing more than a state of mind and should not be the driver when it comes to retirement. I have known those that have retired in their 50s but also those still were working into their 70s. Which one are you? Do you believe in magic or are you a person with discipline? The discipline to work until you have saved enough money.

Over the years I've met many people like this. On the other side of the coin, one guy that sticks out is Bob. I met Bob at one of our kid's baseball games. He said that he hated his job but had to stay for another 18 years to collect his pension. He had a defined benefit plan (a plan where you receive a monthly income for life). If you didn't stay long enough you couldn't take it with you. He felt boxed in. He hated the idea of being handcuffed to the job for another 18 years. I saw Bob a little while ago and he is doing great. He has still with his employer. He had the discipline to stay and secure his retirement. Bob did a retirement plan and once he had enough to retire, he stayed even longer. He knows he can walk out that door tomorrow and never look back.

We have all known people similar to these. Magic versus discipline, age versus surety. It is your choice on whether to retire or not. If you are thinking about making a life changing decision, please consult a professional to complete a retirement plan. Better yet, do a plan at least 5 years (longer is better) before you retire. Just doing a plan is not enough, you have to implement the plan.

Remember you are not entitled to retire at any age. You have to work diligently to get to retirement. In this day and age, if you do not take care of yourself no one else will. As we approach April 15th, help yourself out by contributing to an IRA for 2013 before you file your taxes.

How much money will you need to retire? If you are not sure, contact me and we'll help you come up with the number. Don't guess! Now that you know your number, sit back with your favorite book down the shore.

Fred Dunbar, CLU, ChFC, RFC, AIF, is President of Planning Directions, Inc., a registered investment adviser, and Common Cents Planning, Inc. He is also a registered representative of and offers securities through Commonwealth Financial Network, member FINRA/SIPC. Advisory services offered through Planning Directions, and fixed insurance products and services offered by Common Cents Planning, are separate and unrelated to Commonwealth. Fred may be contacted at 800-647-0762, by e-mail at fdunbar@commoncentsplanning.com or by mail at 239 Baltimore Pike, Glen Mills, PA, 19342. He's always happy to meet with you 'down the shore' at 6606 Central Avenue N. Sea Isle City, NJ. 08243.