



# RETIREMENT INVESTMENT ADVISORS, INC.

2925 United Founders Blvd.  
Oklahoma City, OK 73112  
(405) 842-3443  
(800) 725-4530

2952 Via Esperanza  
Edmond, OK 73013  
(405) 246-0404

9300 John Hickman Pkwy.  
Suite 504  
Frisco, TX 75035  
(972) 377-2850

[www.TheRetirementPath.com](http://www.TheRetirementPath.com)

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left to right: Brenda C. Bolander, Joe Bowie, Randy Thurman, Carol Ringrose Alexander, Chad Rudy, and Andrew Flinton

## Financial Briefs

NOVEMBER 2019

### How to Catch Up on Your Retirement Savings

Are you on the other side of age 40 without substantial savings for retirement? You're not alone. Many people never develop a budget (60% of people according to the Employee Benefit Research Institute) or do any calculations of what they need to save for retirement (*The Balance*, May 31, 2019).

It's not too late to start saving, but it will take a lot of concentrated effort to get on the right track to a comfortable retirement.

Here are some strategies you can put in place to boost your retirement savings:

#### Estimate How Much Money You'll Need in Retirement

The first step is knowing how much you will need to live on in retirement. Most experts agree that you will need at least 75% of your pre-retirement income to fund your retirement. Make sure to do a detailed analysis of your likely retirement expenses.

#### Determine Your Income Sources

Once you have a good idea of how much money you will need for retirement, you then need to determine the income sources you'll have. Look at what your Social Security benefit will be at various ages. Do you have a pension from a previous or current employer? If you have a 401(k) plan, you need to

understand what its expected value will be at retirement age.

#### Set Goals and Develop a Plan

If you have a gap between your income sources and the amount of money you'll need to retire, you have to put strategies in place to close the gap. Set a goal of how much you'll need to save and in what time frame. Because you're playing catch-up, you can't afford to be too conservative with your investment selections, but you can develop a well-balanced plan that will help you meet your goals with a risk

tolerance that is comfortable for you.

#### Max Out Employer-Sponsored Plans

Hopefully, you have access to a 401(k) plan or some other type of retirement account. It may be difficult, but you should try to make the annual maximum contribution, which is \$19,000 in 2019. This is one of the best ways to save for retirement because it automatically comes out of your paycheck. A traditional 401(k) plan will reduce your taxable  
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### The Psychology of Saving

Saving money sounds simple. You set aside a portion of what you earn on a regular basis and watch your money grow. As a result, you're more prepared for emergencies, feel more financially stable, and are better able to achieve what you most want. But in reality, saving is a little more complicated. Sometimes, our own minds work against us when it comes to setting aside some of the money we earn. A basic understanding of the psychology of saving can help you overcome roadblocks and achieve your goals.

#### Why It's Hard to Save

What is one of the biggest obstacles most people face when saving?

We tend to prefer the certainty and immediate gratification of short-term rewards over the potentially greater — yet perhaps more uncertain — benefits of longer-term rewards. One study found that most adults would prefer to have \$50 today rather than \$100 two years from now, for example.

Part of the difficulty with saving for long-term goals is that people may tend to think of their future selves as different or separate from their current selves. That disconnect can make it hard to prioritize saving for the future. Researchers studying this issue

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## How to Catch Up

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income, which will help alleviate pressure. For example, if you are in a 35% tax bracket, your contributions will only cost you 65 cents for every dollar you contribute to the account.

If you are aged 50 or older, you can also make catch-up contributions of \$6,000 in 2019 for a total contribution of \$25,000. And you should always contribute enough to get the employer match if your employer has a matching program.

If you don't have an employer plan (or even if you do), you should start investing in a traditional or Roth IRA. You should set up an automatic transfer from your checking account to your retirement account. You can make contributions up to \$6,000 in 2019 and \$7,000 if you are age 50 or over.

### Downsize Your Life

By the time you retire, you will want a stream of predictable income to cover your expenses with a mixture of Social Security, a pension, and withdrawals from your retirement savings plan. If you won't be able to cover your expenses with these income sources, it may mean you need to downsize your life, which may require some sacrifices.

If you're an empty nester and still living in a big house, it has probably appreciated in value, and you may want to consider selling it and moving to a smaller home. In addition to saving on your mortgage payment, you save more on utilities, insurance, maintenance, and property taxes.

You may also need to think of other ways to cut expenses, such as driving a used car versus a new car or only going on one vacation a year versus two or more.

You don't want to wait until retirement to make these changes, since downsizing while you are still working will allow you to put these savings into your retirement plan.

### Take a Second Job or Work Longer

If you have a serious gap in your retirement savings, you may

## Fun Ways for the Entire Family to Save

Most people don't think saving money is fun, but there are ways to make it fun for the entire family. Check out these ideas for fun ways to save:

### Make It a Competition

You and your spouse or two of your teenagers can challenge each other to a "save-off." Set a time frame and a savings metric to determine the winner. Who can save the most money in six months? Who can save the highest percentage of their income in a year? Most people love a good challenge, and this is a great way to jump-start your savings. Make sure the prize doesn't claim everything you've saved. Think of something that doesn't cost a lot of money, like the loser has to wash the winner's car or make a homemade meal.

### Create a Savings Thermometer

This is a great way to save when you have younger children. Let the kids create a large thermometer out of poster board, then

write a saving goal at the top and hang it somewhere in the house where everyone can see it.

Each week, let your children color the thermometer based on how much was saved. The top of the thermometer could represent a prize everyone in the family wants, such as a pizza party, trip to the zoo, or an excursion to the beach.

### Have a Family Garage Sale

A great way to clean out your house is for everyone to find clothes, toys, and other household items they no longer use or need. Let your children help coordinate the garage sale, develop the advertising, and be part of the sales team.

### Find Inexpensive Family Fun

Not every outing with your kids has to include spending money, especially with younger children. Go to a local park, plant a garden together, or play a family game of baseball or volleyball. The point is to spend time as a family, not to spend money. ■■■

need to consider taking a second job so you can invest the earnings. Get creative about ways to make more money. Do you have the writing skills to be a freelance writer? Maybe you're a great seamstress? A graphic designer or perhaps a programmer? Even a job as a pet sitter or dog walker may give you the extra income you need for savings.

You may also need to consider extending the time frame you are planning to work and retire later. For example, if you're 55 and want to retire at 62, contributing 20% of your income until retirement still won't be as impactful as working three more years until you are age 65.

If you wait to retire at age 70, you'll have even more time to rack up your retirement savings, and you will have fewer retirement years to cover. Additionally, if you wait until age 70 to take Social Security benefits, you could significantly increase

your monthly benefit.

### Pay Off Your Debt

It's not only about saving; it's about eliminating debt. If you have thousands of dollars in credit card balances, your retirement savings is most likely going to your credit card company in interest payments. Make a concerted effort to pay off your credit card balances and continue to pay them in full every month.

With every dollar you find to put toward your retirement savings, set up an automatic transfer from your checking account or a direct contribution from your paycheck. This will help ensure the money is going directly to your retirement savings.

Please call to discuss your retirement savings plans in more detail. ■■■

## Psychology of Saving

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looked at whether encouraging people to think of saving for retirement in terms of a social responsibility to their future self, rather than in terms of their basic self-interest, would lead them to save more. The study found that the former appeal led to higher savings rates. In a related vein, another group of researchers found that seeing pictures of their future selves encouraged people to save more.

In fact, there are a number of studies that suggest changing our mentality might allow us to set aside more money. A recent study found that people who adopted a cyclical mindset to saving, where they focused on making saving routine in the short term, saved more than people who set more ambitious longer-term goals. Those with a traditional linear mindset saved about \$140 over two weeks, while those with a cyclical mindset saved \$223 over the same time period. Overall, the evidence seems to suggest that if we can change the way we think about the future — and our future selves — we may be able to boost our savings rates.

### The Psychological Advantage of Saving

Once you commit to savings, there's a good chance you'll see a psychological boost from doing so. In 2013, a survey by Ally Bank found that 38% of people with a savings account reported being extremely happy, compared to only 29% of people who didn't have a savings account. That same survey found that 82% of people reported saving made them feel independent. Those feelings of success, well-being, and independence may in turn lead to even more saving. In fact, feeling powerful and having high self-esteem can lead people to save more, perhaps because increasing their net worth and financial stability helps people maintain their powerful feelings.

There might even be a formula

## 5 Reasons to Start Saving

**S**aving money is a bit like exercising. We all know how important it is, but it can be hard to actually get into the habit. If you're interested in getting started with savings, or if you want to save more, here are five reasons to help keep you motivated.

**1. You'll Be Prepared for Emergencies** — Here's an alarming fact: most Americans don't have enough money saved to cover even relatively small unexpected expenses, such as emergency room co-pays, minor car repairs, or a broken furnace. Without cash on hand to cover these irregular but inevitable costs, you're more likely to turn to credit cards or loans when the need arises. Unfortunately, at that point, you usually need money fast. Not only are you forced to take on debt, but you don't have time to shop around, increasing the chance that you'll end up with an expensive, high-interest loan. Plus, the more debt you have, the more difficult it is to save. The result? A downward financial spiral that can be difficult to pull yourself out of.

**2. You'll Be More Independent** — Having savings gives you more flexibility and independence. With a healthy amount of savings, you can feel more free to take risks, like starting your own business, heading back to school to train for a new career, purchasing a home of your own, or moving to a new city. Plus, without savings, you're living on the financial edge, and you're more likely to find yourself stuck in situations you may not be satisfied with — working just to pay off debt, trapped in an unfulfilling job be-

cause you can't afford to search for better opportunities, or stuck in a less-than-desirable neighborhood because you don't have the financial resources to upgrade. Committing to savings today, even if it's just a small amount, will start to give you the freedom to make different choices in your life.

**3. You'll Be Able to Reach Your Goals** — We all have goals. Maybe you simply want to enjoy a comfortable retirement one day. Or perhaps you're dreaming of a second home by the lake, sending your kids to college, or starting your own business. Whatever your dreams, they likely have one thing in common — they probably require some money to become a reality. Few of those dreams are achievable if you don't save for them.

**4. You'll Be Able to Earn More Money** — Saving isn't just about setting aside what you've already earned. It's also about putting your money to work for you. Depending on where you save and invest your money, you can earn more just by being diligent about saving. Because of the power of compounding earnings, even relatively small amounts can grow significantly, provided you don't touch your principal.

**5. You'll Be Happier** — Money isn't the only thing that can make us happy. But there's evidence that *saving* money, even in small amounts, can make us happier. In contrast, having debt (often a consequence of a lack of savings) tends to lead to unhappiness. ■■■

for spending and saving that could lead to more happiness. Ryan Howell, a professor of psychology at San Francisco State University, found that happy people tended to demonstrate a particular pattern of spending and saving, earmarking 25% of their money for savings and investments, allocating 12% to charitable giving or gifts to others, and spend-

ing about 40% on life experiences they considered meaningful.

While our mental quirks might make saving difficult, being aware of the obstacles our mind creates can help us conquer them. And that, in turn, may lead to greater savings and increased happiness overall. ■■■

## News and Announcements

### From the Thurman Household

My son, Levi, is doing well. He is taking a psych class at OCCC, working as a PT tech at PT Central and practicing Jiu Jitsu about 5-6 times a week. He even competed in a tournament, against other white belts. That is tough to watch, though, as a parent. The other person is trying to put them in holds that are painful and dangerous. I'm told you can't come down and help then out on the mat.

My eBook and paperback are finally out: *The Worry-Free Retirement Guide to Finding a Trustworthy Advisor*. Here's a link:

<https://www.amazon.com/Worry-Free-Retirement-Finding-Trustworthy-Financial/dp/1948607018/>

If you're a client and would like a free copy, just call our office and we'll send one out or you may pick one up at your next appointment. My next book is written and in first draft form, current title *101 Tax Strategies for Those 55 and Older*. The challenge here is that by the time I get it through the editing process, the tax laws will change, so I will have to rewrite about 25% of it.

My wife, Pati, is doing well. She just completed a 15k run (that's about 9.3 miles). She did well in her age group, as you would expect (but I'm not going to share what age group that is).

Have a great month.

*Randy Thurman, CFP®, CPA/PFS*

### From the Flinton Household

*"The only thing worse than being blind is having sight but no vision."*

~ Helen Keller

As I sat patiently waiting for our plane departure in the Denver airport last month, I overheard an unusual request over the PA system: "If anyone speaks Vietnamese, would you please come to gate 82." We happened to be sitting at gate 83. Those who know me, know I rarely have my phone with me, and I eschew technology whenever I can. However, this day in particular I was grateful for that little device and the power of technology. A woman from Vietnam, who I later found out was traveling to Wyoming to see her son, was in Denver with no understanding of what to do, where to go, or how to communicate other than a laminated card that contained her flight information. Unfortunately for her, the gate had been changed numerous times, the flight delayed more than 6 hours, and the last flight had

no flight crew. She had been in tears for hours, completely confused and distraught over why she couldn't board what she thought was her correct flight numerous times. To make matters worse, her phone was not working and she couldn't call her son. After hearing the announcement, I quickly went over and pulled up a Vietnamese to English translator, and was able to effectively communicate through my phone with this woman. Not only was she overjoyed to know she hadn't missed her flight, but more so to finally have a human connection and someone to understand her. She came back over to give me a hug, still crying, but tears of happiness now. There are few times in my life I've been grateful for my phone, but that day was one of them, and I'm sure she was grateful as well.

Wishing you a wonderful month,

*Andrew Flinton, CFP®*

### From the Bolander Household

Quaking aspens, cliff dwellings, narrow gauge railroad, million dollar highway, mining towns, fourteeners, and the Royal Gorge! These are sights we enjoyed on an autumn trip through southern Colorado. We hadn't been there in a while and Dad and Mom wanted to see the mountains, so we headed that way. The temperature was pretty cool a couple of days, and it turned out to be a great idea to ride the enclosed train car from Durango to Silverton. The authentic 1880s train rumbled through the San Juan Mountains as a skilled historian portrayed the spirited woman who started the first newspaper in the area. She delighted the passengers with stories of characters and events of the old mining days. She even read original articles from the newspaper, *The Durango Record*, when the editor took on an infamous outlaw gang. In Silverton, we browsed the quaint shops lining the dirt streets. That night, we stayed in a hotel located above an old saloon, The Bent Elbow, which is now a restaurant and features an enormous antique wooden bar. The original 15 sleeping rooms of the hotel have been reconfigured into five modern, comfortable and charming guest rooms. We had a wonderful time and even spotted a couple of places that we should visit again.

Have a great month.

*Brenda C. Bolander,  
CFP®, CPA/PFS*

*So that our employees have the opportunity to enjoy the holidays with their families,  
following are our holiday hours: The office will be closed Thursday, November 28,  
Friday, November 29, Wednesday, December 25, and Wednesday, January 1.  
We will also be closed at noon on Tuesday, December 24 and Tuesday, December 31.*