

Get motivated now to save for retirement

Motivation is the reason for an action. It is the result of positive or negative reinforcement — in other words, a reward or a punishment. This became very clear this week as I attempted to motivate my teenage stepdaughter to study for her SAT. What would motivate her more — taking away her car for a week or the vision of a successful SAT score and the glamour of a top college? What motivates us to save for retirement — the fear of outliving our money or the allure of an early successful retirement without the burden of high monthly mortgage payments?

This philosophy holds true for successful money management on a personal level as well as corporate.



Deel on Dollars

Barbara Magor Deel

Corporations need to be managed both to please their shareholders and board of directors to survive as do families trying to “keep up with the Joneses” and please their children. Healthy competition can be a great motivator and shareholders’ best friend. Stocks of companies targeted by activists from 2009 through 2013 gained 48 percent on average as of the end of last year, according to data compiled by Bloomberg. That beat the S&P 500 index by about

17 percent. Activists take stakes in companies they see as undervalued and ask for changes such as higher dividends, share buybacks, cost cuts, and change in management. A study published by Harvard Law School found that the target companies’ valuations, including return on assets, improved in the five-year period following the intervention.

Considering the life expectancy for baby boomers has increased from an average of 67 years to the current average of 77 years, women have broken the 80-year life expectancy mark in 2005, according to World Development Indicators 2012. This is adding pressure to an already-fragile

Social Security system. Although Americans are living longer, they are also not necessarily living in better health. According to the Employee Benefit Research Institute a typical 65-year-old couple will need an estimated \$305,000 to cover out-of-pocket health-care costs over their lifetime. Only 33 percent of all private sector works currently have a defined benefit plan, and nearly 60 percent of workers have less than \$25,000 in savings and investments, excluding the value of their home, according to the *Journal of Financial Planning*.

Current and future retirees face a series of challenges that will have a significant impact on their

life in retirement. The recent recession negatively affected the value of their investment portfolios and the bursting of the housing bubble diminished the value of their homes. Education in financial planning for our future is our best tool to plan our successful retirement. Email your questions to barbara@americaninvestmentplanners.com and plan on attending a free Wellness Workshop on Thursday, April 24, at 6:30 p.m. in the La Vernia Methodist Church for more helpful information.

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