



Financial Planning for Your Next Chapter

by Joel Kelley, Woodstone Financial, LLC

Imagine for a moment that someone gave you an unfinished book and asked you to write the next chapter. That would be a difficult challenge. First of all, you developed neither the characters nor the plot. Neither did you do the research. In short, you didn't walk in the author's shoes.

On the other hand, what if the book was about your life? Now there is a familiar subject. You know your life experiences and now you have the opportunity to describe the future. How will your next chapter read? For many baby boomers, writing has already begun. Some know what the next chapter will be. Retirement or a career

change is approaching. Others may be considering a part-time career or an unpaid stint as a volunteer. Some boomers plan to travel. Most are concerned with possibly funding decades of life after retirement.

While factors like longevity are unknowable, others can be determined. You control where you live, the car you drive and your non-essential expenses. By choosing those carefully, preparation for the unknown naturally improves. Another important step is to prepare financially. Let's look at several ways to do that.

Save and Invest

Take maximum advantage of retirement plans at work such as a 401(k) or 403(b). Fund a Traditional or Roth IRA. If you are already 50 years old, you can deposit \$4,500 (2005) and \$5,000 (2006). Self-employed individuals may take advantage of retirement plans such as a SEP or SIMPLE IRA. Both allow higher contributions than the individual IRAs. Invest using a low-cost strategy such as a diversified portfolio of index mutual funds.

Measure Your Spending

Track your income and expenses on a worksheet or by using one of several available commercial computer programs. It's revealing to discover how much you spend on items that don't improve your quality of life. Get in the habit now. It will be even more important once your income no longer comes from a job.

Set Goals for the Next Chapter

Consider what is most important to you in life. Prioritize your goals and visualize their achievement. Set benchmarks and timelines. Structure your finances around these goals rather than structuring your life around the finances.

Do the Math

"Goals without numbers are fantasies."¹ Use a worksheet to estimate expenses for the next chapter. Be honest and err on the conservative side. Next, match your sources of income with these expenses. Delayed retirement, part-time employment or reduced living expenses may be needed to meet any shortfall. Remember, it is far better to know this now rather than later.

Make the commitment to write the next chapter of your financial life now. Join us for **Financial Planning for the Next Chapter** and **Pathways to Financial Independence**, two upcoming **Transitions** workshops offered in February and March, 2006, by The NC Center for Creative Retirement (<http://www.unca.edu/ncccr/>) at UNC-Asheville's Reuter Center. Learn sound financial strategies which can help your next chapter become reality and not fantasy.

¹Whitehead, Bert, M.B.A., J.D., "Facing Financial Dysfunction", 2nd Edition, Infinity Publishing Co., Haverford, PA, 2004.