Your Practice

Christopher P. Thomas

Follow your plan for retirement

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When you tell your patients they need to lose weight, exercise, or stop smoking, they sigh and nod their heads in agreement. When your financial adviser tells you that you need to save for retirement, do you respond likewise?

Recent market volatility sometimes makes you rethink your plan and tolerance for risk. Lifestyle changes require effort and self-discipline, but the long-term rewards can be great. Here are some recommendations to help you get started on the right path.

1. Assess your current condition.
If you're struggling to make the mortgage and credit card payments every month, you probably aren't thinking about saving for retirement. Look at your lifestyle and spending habits and decide if you are living beyond your means. It is OK to live for today as long as you also plan for tomorrow.

2. Check your vital signs.
Assuming your situation is not acute, you need to take a regular look at your family income, expenses, debt level, and investment earnings. As you get closer to retirement, some expenses—home mortgage or children's college expenses, for example—will decrease. Other expenses—health insurance, prescriptions, and travel—will likely increase. Early detection allows you to make small course corrections in your spending or savings that could make a difference during retirement.

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3. Set goals.
What does "retirement" mean? To you? To your spouse? Many people want to retire before age 65. You may continue working, even though you are "retired." This often means working fewer hours or starting a second career and becoming responsible for your health care costs and retirement savings. More leisure time also means more time to travel and pursue hobbies you might not have had time for in the past.

4. Create an action plan.
No matter how good your plan is, it will not be much help unless you take action. Your action plan should include (1) an assessment of your tolerance for risk, (2) a strategy for broadly diversifying your investments, and (3) periodic rebalancing of your portfolio to make sure your investments are meeting your expectations for earnings and staying within your parameters for risk. You can create and manage your own investments; however, many people prefer to delegate this to a professional financial advisor.

5. Stick to it.
Staying invested for the long term is a proven strategy! If you had invested $10,000 in the S&P 500 index on January 1, 1980, and reinvested the dividends, your money would have appreciated to $306,322 by December 31, 2007. Remember, "discipline" comes from the word disciple, ie, someone who follows. Follow your plan and watch your retirement savings grow.

6. Act now.
Physicians typically start their careers later and with larger student loan debt than others their age. Fewer earning years, longer life expectancies, and an uncertain economic future mean you cannot afford to procrastinate when it comes to retirement planning.

Like your patients, you know what you need to do. Establish good spending and savings habits today and enjoy financial well-being for years to come.

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