



Monthly Retirement Planning

In order to retire with some security, you must aim at something. Too many people use the READY-FIRE-AIM approach to retirement planning. Your assignment is to determine how much per month you should be saving at 12% interest in order to retire at 65 years old with what you need.

If we are saving at 12% and inflation is at 4%, then we are moving ahead of inflation at a net of 8% per year. If you invest your nest egg at retirement at 12% and want to break even with 4% inflation, you will be living on 8% income.

Step 1:

$$\begin{array}{r} \text{Annual Income (today) you wish to retire on: } \underline{\hspace{2cm} \$30,000 \hspace{2cm}} \\ \text{divide by .08} \\ \text{(Nest egg needed) equals: } \underline{\hspace{2cm} \$375,000 \hspace{2cm}} \end{array}$$

Step 2:

To achieve that nest egg you will save at 12% netting 8% after inflation so we will target that nest egg using 8%.

$$\begin{array}{r} \underline{\hspace{2cm} \$375,000 \hspace{2cm}} \\ \text{Nest Egg Needed} \end{array} \times \begin{array}{r} \underline{\hspace{2cm} .000436 \hspace{2cm}} \\ \text{Factor} \end{array} = \begin{array}{r} \underline{\hspace{2cm} \$163.50 \hspace{2cm}} \\ \text{Monthly Savings Needed} \end{array}$$

8% Factors (select the one that matches your age)

AGE	YEARS TO SAVE	FACTOR
25	40	.000286
30	35	.000436
35	30	.000671
40	25	.001051
45	20	.001698
50	15	.002890
55	10	.005466
60	5	.013610

Note: Be sure to try one or two examples if you wait 5 or 10 years to start.



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divide by .08
(Nest egg needed) equals: _____

Step 2:

To achieve that nest egg you will save at 12% netting 8% after inflation so we will target that nest egg using 8%.

$$\frac{\text{Nest Egg Needed}}{\text{Factor}} \times \text{Factor} = \text{Monthly Savings Needed}$$

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