S.J. Boyle Wealth Planning

High Net Worthy

# Seeking the Land of Financial Freedom, And How to Get There

**Once you've attained financial freedom, what is your plan?**

Travel? Time with family? Continuing your work, but purely for fun?

Experiences with my clients show a wide range of diversity in how they want to spend their time once they're more secure financially.

But from a financial perspective, I've found that most people want to achieve one if not two or even all three of the following goals.

## Goal 1: Avoiding Running Out Of Money

For most, this goal is of the highest priority. In setting a goal of retirement at any age, the idea of being forced back to work is a source of anxiety. So, the key to success here is managing finances in such a way that it allows us to live the way we want while remaining financially independent.

## Goal 2: Maintaining Or Improving Lifestyle

Most people have worked hard for their financial independence. As such, a common goal is to not just maintain their lifestyle but to improve it. The key here is to maintain purchasing power over time. This also requires knowing the answer to the question: When would you like to retire?

**Goal 3: Increasing Wealth**

Some folks are able to enjoy financial independence with no fear of running out of money. For those fortunate individuals, growing their wealth becomes the goal, whether it's as a family legacy or for charity. Unsurprisingly, these folks take a growth approach to managing their wealth.

**The First Step**

Before focusing on anything else in the wealth picture, discovering what is most important to you is task number one. You can't figure out how to reach your destination if you don't first determine what the destination is.

**How much will your financial independence cost?**

Once you've figured out what's important to you, you can start calculating what it'll cost. Four main factors to consider are: non-discretionary spending; discretionary spending; inflation and time horizon.

- **Non-Discretionary Spending**
  This is spending that you don't have much control over. You may be able to change your priorities, but in general there is little wiggle room. These include your living expenses, debts (both mortgage and credit card), taxes, insurance, and healthcare costs.

- **Discretionary Spending**
  After you've covered your basic living expenses, you can start to calculate the spending over which you have more control. This kind of spending is personal. For some folks, cable TV might be discretionary where golf is not. Common discretionary expenses are vacations, hobbies, luxury purchases, gifts or charitable giving.

- **Accounting For Inflation**

  Inflation is insidious. Over time, it decreases your purchasing power, eroding what can be done with our savings. In recent years, inflation has been relatively low. But since 1925, there's been an average US inflation rate of 3%. Want to maintain your purchasing power, decade to decade? Let's say you have an annual income of $50,000 today. In 20 years, you'd need a $90,000 annual income. In 30 years, you'd need $120,000 annually. Maintaining purchasing power against inflation means chasing an often elusive butterfly.

- **Time Horizon**

  A major determinant of the total cost for your financial independence is your time horizon. The earlier you seek complete independence, the greater the total cost. But even this is unique and personal. Many folks are just looking to do something different.

They may still intend to be generating income, just differently. Others make dramatic changes in their lifestyles, beginning to pursue more modest living. This is why every financial plan is unique and personal. Each plan requires detailed analysis of time frames and important goals. Life Expectancy cannot be ignored. With advances in medicine, current life expectancies continue to increase. As a result, your planning horizon could be quite long, depending on your unique Independence Day.

**How will you pay for all this?**

Once you figure what you independence will cost, you can start figuring out how you're going to pay for it.

- The first step is calculating all your income before investment income. These sources will include all salaries, real estate and business income, pension income and social security.
- Once you know your expenses and the amount you'll be receiving from active income, you can determine a) how much you'll have available to save before Independence Day, and b) how much income might be required from savings after Independence Day.
- To make sure that all of this works together, you'll also need to calculate your required net rate of return on your savings. It'll encourage you to either be a) a little more aggressive in your investments, or b) possibly a bit more conservative.
- Your approach to investing will change over time. In early years, it may be a more aggressive, growth oriented approach. In later years, it may be more conservative, income-oriented approach. Determining the difference is a matter of knowing cash-flow requirements in tandem with your personal tolerance for risk.

**Determining a withdrawal rate**

Just because your savings had a 10% total return last year doesn't mean you should take it all in income. Next year, the return could be less—perhaps even negative. Historically speaking, withdrawal rates of 4% have been shown to be maintainable over our current life expectancies. A withdrawal rate for any individual plan is personal, but not to be ignored. It is part of the risk of a long-term income strategy.

**Consider all income sources**

Investment income sources comes in all flavors. Interest income is taxable. Dividends can be either taxable or non-taxable. Capital gains, or the growth on stocks, can provide income that is also taxable—but long-term, they can be taxed at a lower rate. Annuities can provide blended income, as well as a guaranteed income stream for life. Real estate investment trusts can provide an inflation sensitive stream of income.

**What can SJ Boyle Wealth Planning do to guide your journey?**

**Planning**

First, we work with you to articulate those things most important to you—your values and passions. How much, when and where?

Then, we develop a long-term plan with specific strategies for making sure those values and passions are financially possible.

Finally, we monitor your plan on an annual basis, allowing you to react to anything that life throws at you.

**Investment Planning**

Our first goal in investment planning is making sure that you understand what you have.

We then determine the level of risk with which you're comfortable.

Finally, we build a portfolio consistent with your risk tolerance and required rate of return.

We monitor and report that return to you on a quarterly basis.

We provide your day-to-day needs quickly and efficiently.

SJ Boyle Wealth Planning is committed to creating a plan that is uniquely yours—one that inspires you through your passions.

Want to have a conversation about your wealth plan?

To schedule a free 30-minute consultation, click here.

Or call 603-277-9953