

# Sowing the Financial Seeds for Retirement

by F. Douglass Lewis Jr.

Illustration by Harry D. Swanson Jr.

**R**etirement: It's a destiny that awaits us all. How comfortable that destiny is depends on the investments you make today. But how do you decide where to invest? And how much money is enough?

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period. With a stock, you would closely look at the current situation of the company selling the stock, as well as the current state of the industry it is in.

It is difficult for a novice to go out and pick a stock because a lot of information isn't readily available about companies. The performance of a mutual fund manager, someone who is responsible for picking individual stocks, can be judged by the success of the long-term history

The best way to allow for growth in your retirement account is to have some exposure to the stock market. On average, stocks have outperformed every other fixed-income investment over the last 60 years. Not only have they outperformed, but they have done so by an extremely large margin.

It pays to be aware of the market because many variables must be considered when planning for retirement. With

the help of an experienced investment adviser and a sensible attitude toward savings, your comfortable retirement doesn't have to be just a fantasy.

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of the mutual fund.

Once the appropriate plan has been selected, it must then be adequately funded. That means accurately estimating the amount that will be needed. After the initial investment has been selected, it must then be continually monitored and adjusted to maximize performance. This is extremely important because the world in which we live is constantly changing. Changes in economic policy and international and domestic politics may have a tremendous effect on your investment decisions.

Without picking a plan, funding it and monitoring it, you run the risk of incurring one of life's greatest fears—outliving your money.

A common mistake of retirement plans is investing too conservatively. Retirement plans with monies invested totally in fixed-return investments, such as certificates of deposit, barely keep pace with inflation. While the rate of return is guaranteed, you may actually lose purchasing power after inflation is taken into account.

A 30-year-old with \$10,000 in a retirement plan that uses such fixed-return investment would have only \$40,457 by age 65, assuming a 4 percent rate of return. That same 30-year-old with \$10,000 in a retirement plan that bears 12 percent average rate of return would retire with \$653,095 over the same period of time.

