

PERSPECTIVES

One Small Step for Your Money, One Giant Leap for Retirement

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People often tell me they want to invest, but they don't know how to get started. It's a simple question, but beneath it lies a deeper one: "What is my first step toward a better future?"

The challenge, of course, is that the future is unknowable. You can't predict what life will be like in 10, 20, or 30 years, nor can you predict how you'll react.

Some of the biggest risks are things nobody can forecast. So how do you plan for your future when there's so much uncertainty?

THE FIRST STEP

First, you need goals. They should be long-term and attainable.

For a lot of people, that means having enough money to live out the rest of your years comfortably without being a burden to your family—even planning to leave some money to loved ones or organizations that have meant a lot to you.

But each person is different and has different circumstances, so your goals might be different, too.

Second, you need to zoom in. What can you do this year that moves you just a little bit closer to that long-term goal?

This brings us to a tough question you must ask yourself: "How much could I save this year—money I could put away and, barring a true emergency, leave alone to grow for a long time?"

For a 25-year-old, this might mean committing to put 10% of your pay into a broadly diversified exchange-traded fund (ETF).

For someone twice that age, it might mean deciding to skip a pricey vacation every other

year and instead increasing your savings with that additional cash.

This isn't about finding the perfect formula—it's about defining a feasible first step.

Once you take that step, you can begin to zoom out and see its potential.

HOW MIGHT YOUR MONEY GROW?

Consider a 25-year-old with a \$35,000 salary who puts away 10% (\$3,500)—about \$300 a month. While we can't know the future, we can look to the past for a rough guide.

Over the past 100 years, the S&P 500 Index of the largest US stocks has earned, on average, about 10% a year.

If the market were to continue at its historical rate, an investment of just \$3,500 each year from ages 25 to 30 could grow to more than \$720,000 by age 65. If you continued that habit, contributions of \$140,000 over 40 years could become more than \$1.5 million.

These numbers aren't a promise, but rather an illustration of the power of compounding. They can help give you a reason to get started, a glimpse of what your life could be like.

Now consider a 50-year-old who starts saving \$10,000 every other year. That's just \$416 per month.

Assuming that same 10% average annualized return, you could have \$207,000 by age 65. If you find you can manage to save that amount every year—still less than \$850 per month—it could grow to more than \$384,000.

There are serious tradeoffs involved. Economics, at its heart, is the study of such choices. There's no single right answer, only the one that is sensible for you.

NEXT STEPS

The one-year plan you make today is the first step on a long journey of adaptation. At the end of the year, look at your plan again:

- Did your income change?
- Did you get married or have a child?
- Are your long-term goals in need of an update?
- Can you save a little more than you did last year?

Life is full of unpredictable surprises, and your plan must be flexible enough to evolve alongside them.

By focusing on a series of achievable one-year plans, you build a resilient path toward a long-term goal and gain clarity on what you truly value. Most importantly, you feel better now, knowing you've done your best to set yourself and your loved ones up for a better future.

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