

# Saving money for retirement a matter of small changes



Bruce Smith

Saving enough money for a comfortable retirement is a cause of stress and frustration for many. Financial experts say the inability to save money stems from the choices a person makes in their life.

Take Bob, a 25-year-old single man, as an example.

Bob met with his financial advisor office, looking to purchase his first home while saving enough for his retirement. He said he had difficulty saving money despite having a decent job managing

the local electronics store for two years since his college graduation.

His financial advisor asked him to describe his day. Bob explained his day began by waking up, walking the dog and getting ready for work before driving his 2016 Dodge Ram 1500 to get a coffee and muffin enroute to the mall, approximately five minutes away.

During his shift, he went for lunch at the food court. After work, he came home and

made dinner. He walked the dog before watching some sports program as part of his premium sports cable package before going to bed.

Bob's routine was the same on the weekends. He went to get coffee and usually played hockey with his friends on Saturday. In the evening, he would take his girlfriend out to dinner and a movie. Sunday consisted of having friends over for some gaming on his big screen TV using his cable subscription, while having a few beers.

His financial advisor had what he termed a "tough love" conversation with Bob, telling him to look at the choices he was making: spending \$5 a day on coffee and a muffin and another \$10 for lunch. Bob owned a \$50,000 truck (with payments of approximately \$750 a month) that he only drove five minutes to the mall. The advisor also told Bob to look at his premium cable and gaming packages, food and vet expenses for his dog, beer, cigarettes, groceries, utilities and rent. Even date night would set Bob back approximately \$75 each weekend.

Bob was afraid that cutting back might mean he couldn't



have a life, but his financial advisor told him starting with small changes could help. Eliminating coffee and a muffin every day would save Bob \$35 every week.

"Can you add a loonie to that as a reminder to save, and make that \$36.00 per week?" the financial advisor asked. He explained that saving \$36 a week for the next 40 years and investing it at a seven per cent compounding return, a reasonable assumption, given the Standard & Poor's 500 index averaged a seven per cent compound return in the 60-year period from 1950 to 2009, will allow Bob to save \$410,388.48 at age 65.

While Bob won't be able to retire with that amount of savings, it illustrates that by making a few tweaks to your lifestyle, a person can save for a

house and retirement without making major changes to her or his lifestyle.

"Living a prosperous life is not a major undertaking, simply a matter of making little adjustments along the way," Bruce Smith of Cash Management Group, explains. "Stop making excuses for what you don't have. Results derived from taking action trump no action and a sad story." Smith suggests everyone should set a budget and a lifestyle that saves you a little money every week.

"Watch your future change. It is never too late to start," Smith says.

Bruce Smith, of Cash Management Group, consults on financial topics, including investments, mortgages and real estate. Find him at [www.cashmanagementgroup.com](http://www.cashmanagementgroup.com).

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