THE GLOBE AND MAIL

How to prepare for retirement during every decade of your life

By Adrian Mastracci

Special to The Globe and Mail

Published Friday, Apr. 21, 2017 2:24PM EDT

Last updated Friday, Apr. 21, 2017 3:56PM EDT

Managing wealth to achieve and maintain your retirement aspirations is a long-term project. Ideally, it’s a journey that can begin growing roots in your 20s.

To me, it makes good sense to chart, plan and implement your retirement accumulation marathon in blocks of 10 years at a time. An objective divided into manageable parcels, attainable by the majority of individuals and families.

Your sensible mission is to accomplish at least three important goals per decade. Keep in mind that living into the 90s is often not out of the question.

Here are some worthy big picture recommendations for your long journey:

Your 20s

Top of mind for your 20s is to attend school and accumulate as much human capital as possible. Strive towards earning scholarships, grants and bursaries for your educational pursuits. Start developing sound financial habits, like saving regularly. Try your best to live within your means. Many students incur loans, so it makes sense to repay them as quickly as possible. A great financial base by the end of this decade is to have no student debt. That would provide a terrific financial springboard.

Your 30s

Pursuing your passions, such as a business or career, typically starts in your 30s. Another prime focus is learning the how-to-invest skills. Then concentrate on investing results and performance. Start paying yourself first. Say 5 per cent to 10 per cent of gross family income, more if possible. Make the distinction between “good” and “bad” debt for your situation. Your debt load will likely expand, so be careful about affordability. Aim for a financial base by the end of this decade worth two to three times your gross family income, not including your residence.

Your 40s

Becoming serious about saving and investing for your retirement typically gets off the ground in your 40s. Try your best to contain the use of debt and accelerate its repayment. Start ballparking your retirement capital projection and revisiting it every three to five years. You may require the services of an investing professional. Pay attention to identifying your comfortable investor profile and risk tolerance for the long run. Accumulating financial assets worth four to six times your family income provides a boost for your retirement plans.

Your 50s

Your 50s are most likely the high point of your earnings and saving capacity. Getting a firm handle on capital required for your family’s comfortable retirement is an important exercise. Shift your priority to designing and building the family retirement portfolio. Know what retirement goals you are aiming at and what it takes to achieve them. Ensure that you are aware of the estimated portfolio returns you require to reach the far-off finish line. Financial assets should be worth in the ballpark of six to 12 times your family income.

Your 60s

Prepare to finalize your needs for retirement capital. You will encounter significant adjustments in switching platforms from working to retired life, especially your lifestyle issues. There will be plenty to contemplate as you migrate from setting savings aside to spending your nest egg at a safe rate. Having sufficient capital so you don’t outlive the money starts to have more meaning and impact. Always treat your accumulated capital as a cohesive total portfolio versus a collection of money pools. You may require a total nest egg in the 20 times your family income, perhaps higher.

Your 70s & beyond

Get into the habit of periodically rechecking your retirement capital projections and safe spending limits. Keep nurturing your social networks, hobbies and volunteerism. Above all, don't take on unnecessary investment risks and be very careful on becoming a too conservative investor. Keep a keen eye on the adverse consequences of inflation and rising health costs. Some families are going to be planning well into their 90s, perhaps longer. Stay on top of how the finances are faring so there is less chance of outliving your money.

The first key to achieving and sustaining retirement is saving and investing regularly within your game plan. The second is spending it safely through the years of bullish and bearish markets. Most families have the desire to pass on the remaining assets to designated beneficiaries; thus, requiring a well thought-out estate plan to be in place. Lastly, contemplate how you prefer to be taken care of in the event of something happening to you.

This life journey is a marathon. Enjoy it to the fullest.

Adrian Mastracci is Senior Portfolio Manager at Lycos Asset Management Inc.