



Planning for Life's Stages- Your Prime Earning Years/ Planning for Retirement

Last week we discussed the first stage in Planning for Life's Stages i.e. "Building Your Financial Foundation". After you have decided what your financial goals are the next step is to create a budget. We said that a budget gives you an opportunity to control your spending and effectively manage your money. Through budgeting you can now see exactly where most of your finances are going and therefore correct any unnecessary spending patterns. With effective budgeting one would now be able to save and even make some investments.

This week we examine the second stage of Planning for Life Stages which is "Your Prime Earning Years/ Planning for Retirement". Although your annual income may increase significantly during this period you may also find matching increases in your expenses. During this period you will be making major life decisions like taking a mortgage and sending children off to university. It is often difficult to think of what will happen two or three decades into the future-especially when you are trying to make ends meet today.

Nonetheless, what you save today will have a major impact on the quality of life you experience during your retirement years and, with people living longer and retiring earlier, you may end up spending as much as a third of your life in retirement. It is with this in mind that you must now strategize. Investment and saving opportunities are almost infinite your income however, is not. The investments you undertake in your prime earning years may be different to what you undertook while you were building your foundation. Some people look at retirement as a time to pursue new interests, while others just want to relax. Whatever the future holds, one thing is certain, a secure retirement requires careful planning and shrewd investment and saving.

During your prime earning years your aim should be to diversify your investment risk as much as possible. You want to ensure that your money works for you however, you do not want to place your "nest egg" in jeopardy. At this stage you can invest in both long and short-term savings. The long-term savings would be certificates of deposit (CD's) while the short term would be regular savings accounts. On the investment side one could use short-term investments as an emergency fund and long-term investments as part of a retirement fund. You should also try to decrease your debts as much as possible. A good example would be to make additional payments to outstanding debts like mortgage payments. This would assist as in the long run you would pay less to interest and pay off the mortgage earlier.

Next week we will discuss retirement and what is available to retiree's investment wise and how they should approach it. One should always seek the advice of a financial planner at any stage of the life cycle. Investment decisions can be very risky so it is important that people understand and make the correct decisions. If you have any questions on investments or savings call the Investment Division or the Customer

Service Department respectively of Bank of Saint Lucia at 456-6000 or visit us at www.bankofsaintlucia.com.