

Oct 17, 2022

Bring your future-self into your 'now' decisions

By Sue Cooper

Retirement might be a long way off for you, or it may be knocking on your door. Either way, your current-self and your future-self are inseparable; you can't divorce or sack yourself, you're together 'until death do us part.' And so, like any good marriage or life-long partnership, the way to please the "current" you and the "future" you is to compromise.

If your future retired-self could speak to you today, what would they say?

In my experience, speaking to retiring clients for almost 40 years, the most common thing they say, when reviewing their assets, is "I wish I'd put more in". They wish they'd set aside more, saved more sooner, started thinking about their retirement earlier.

"More than half (55%) of adults ages 26 to 41 say they spend more time planning for vacations than for their retirement, according to a recent Personal Capital survey. Among all 2,000 U.S.-based adults surveyed."

A retiring client, early in my career, said, 'Why didn't your company 'make' me put more in to my investment?' I wanted to say, 'Because your younger self wouldn't listen!' but it's too late by then. So, from that day forward I vowed to encourage clients to bring their retired-self into investment meetings too, so that their future is considered throughout their life. That also means their future-self can then do the nagging and not me.

Is it really possible for your retired-self to have a voice today?

Here's an example of how: My husband and I allow our retired-selves a voice with a \$1,000 'now' spend. In other words, we ask ourselves, "Will this \$1,000 furniture purchase improve our wellbeing now and in retirement or would \$1,000 invested for our retirement serve us better?" \$1,000 growing at an assumed 6% annual rate would be \$1,791 in 10 years, \$3,207 in 20 years and \$5,743 in 30 years, compared to nothing being available in the future because it's already been spent.

A \$5,000 'now' spend, or more, means that our retired selves definitely get a say and have some sign off rights!

We aren't really talking to imaginary people around the dinner table (not before the rum anyway), but we're simply committing to spinning the current and the future plates at the same time. It means our whole life journey can be considered.

When an active, 'now and future', conscious choice is being made, sometimes the 'now' wins, sometimes the 'future', and sometimes both. Take a vacation for example; how about going on the trip to keep the 'now' you happy (because that's clearly important too) but maybe choose a less expensive hotel? You'll still experience the joy of the new destination and you've shaved off some money to invest for later. Win-win!

For people who listened to their future-self when they were younger and had saved \$1,000 per month in the S&P 500 index, as a simple example, they would have accumulated \$231,000 if they started 10 years ago, \$985,000 if they started 20 years ago and \$3.4million if they had been investing \$1,000 every month for the past 30 years (through to Dec 31, 2021). Turning the volume up so you can hear your retired-voice sooner, is the key.

A common resistance to listening to your future-voice is, 'Stuff it (or worse), I could be dead tomorrow, you only live once, right?'

When you consider actuarial mortality tables statistically show that the overwhelming majority of us will thankfully make it to retirement, then the law of averages has to be the winner in the argument. We can't afford to deny our future-self because they are us, and we are them. It's you that you're looking out for, after all.

The compromise question to keep asking is 'Will I benefit, will my retired-self benefit?'

Every simple powerful action now affects your abundance or otherwise, in the future.

And what if you're thinking, "But I already can't manage on what I have today?" Then all the more reason to bring your retired-self into the equation, because if you are struggling to maintain your lifestyle now it will be even harder when your income drops off further in retirement. Let both your 'selves' take a step back, try and review where you can make changes today.

This commentary is for information purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument, investment product or service. The information contained herein, has been compiled from sources believed to be reliable, but no representation or warrant, express or implied, is made by Lines Overseas Management Limited or any of its affiliates or representatives, as to its accuracy, completeness or correctness. Readers should consult with their Brokers if such information and/or opinions would be in their best interest when making investment decisions. This commentary is intended for the recipient only and must not be reproduced or forwarded to any other person without the prior [written] consent of LOM. LOM is licensed to conduct investment business by the Bermuda Monetary Authority.



It's not something that needs to drastically change your lifestyle now – small tweaks to your daily routine have a cumulative compounding effect that can radically improve your retirement. Even saving the cost of a cup of coffee each day can make in-roads.

"I have a work pension, so I'm covered." Thank goodness for mandatory pensions. Aim to max out your contribution and the benefit of your employer's matched contribution because their contribution is like free money for your future-self.

However, the ex-minister for pensions in the UK, the Right Honorable Steve Webb, reported the concern recently that defined contribution pension schemes were a "Slow motion car crash." Not because pensions aren't good - they very much are - but because the levels contributed won't be enough to satisfy peoples' retirements, thus we're running blind into a future problem. A rough rule of thumb for retirement provision is to set aside half your age as a percentage of your salary. So, if you're 20 then 10% of salary, 30 then 15%, 44 then 22% and so on.

Assuming you've taken advantage of all the matched employer contributions and any tax advantages of pensions in your jurisdiction then additional retirement investing needn't be locked away purely for retirement. You can have more access, control and flexibility on savings investments over and above your pension scheme. This means you can be encouraged to squirrel away as much as possible for your retirement through regular savings or lump sums when you have a bonus, knowing that it's accessible should a life-shock unfortunately occur; such as redundancy, illness, written off car, new boiler - you know them. That's when the 'current' and the 'future' you can re-group and re-prioritize funds as necessary.

You can't physically see your future-self simply because you're already looking through their eyes. To prove that, I'm betting it's your future-self that is noting the importance of this article. Having an investment advisor to help you determine 'how much is enough' is critical and the positive saving and investment decisions you make today will put a smile on the face of your future.

Sue Couper is the General Manager at LOM Asset Management Ltd in Bermuda. Please contact LOM at +1 441-292-5000 or visit www.lom.com for further information.

Stock Market Performance

	10/14/2022	W-o-W	M-o-M	Y-o-Y
DJIA	29,635	1.2%	-4.8%	-15.1%
S&P 500	3,583	-1.6%	-9.2%	-19.3%
MSCI World	2,377	-1.7%	-9.2%	-23.0%
S&P/TSX	18,326	-1.4%	-7.1%	-12.0%
BSX	2,435	2.2%	1.4%	-4.7%
FTSE100	6,859	-1.9%	-5.8%	-4.8%
DAX	12,438	1.3%	-4.5%	-19.6%
CAC	5,932	1.1%	-4.7%	-11.3%
Nikkei	27,091	-0.1%	-2.6%	-5.1%
Hang Seng	16,588	-6.5%	-12.0%	-33.5%
Shanghai	3,072	1.6%	-5.1%	-13.7%

Key Rates and Prices

Currencies	10/14/2022	Month ago	Year ago
EUR	\$0.97	\$1.00	\$1.16
GBP	£1.12	£1.15	£1.37
JPY	¥148.67	¥143.08	¥113.68
CAD	C\$0.72	C\$0.76	C\$0.81
CHF	CHF0.99	CHF1.04	CHF\$1.08
AUD	A\$0.62	A\$0.67	A\$0.74
Fixed Income			
3M LIBOR	4.19	3.48	0.12
3M Treasury Bill	3.72	3.19	0.04
2Yr Treasury Note	4.50	3.79	0.36
10Yr Treasury Note	4.02	3.41	1.51
Fed Funds Rate	3.25	2.50	0.25
Commodities			
Gold/oz.	1,644.47	1,697.32	1,795.87
Silver/oz.	18.28	19.63	23.52
Copper/lb.	3.42	3.54	4.53
Oil	85.61	88.48	81.31

Global Economic Calendar (Oct 17-21)

Mon: GDP YoY (CH)
Tue: ZEW Survey Expectations (GE); ZEW Survey Current Situation (GE)
Wed: CPI YoY (UK); CPI YoY CA)
Thu: Initial Jobless Claims (US); CPI YoY (UK)
Fri:

This commentary is for information purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument, investment product or service. The information contained herein, has been compiled from sources believed to be reliable, but no representation or warrant, express or implied, is made by Lines Overseas Management Limited or any of its affiliates or representatives, as to its accuracy, completeness or correctness. Readers should consult with their Brokers if such information and/or opinions would be in their best interest when making investment decisions. This commentary is intended for the recipient only and must not be reproduced or forwarded to any other person without the prior [written] consent of LOM. LOM is licensed to conduct investment business by the Bermuda Monetary Authority.