How a Two-Hour Snow Delay Can Disrupt Your Retirement Plan

Making some small adjustments to your shopping habits can pay-off long-term.

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Donna Kline, MBA, CDFA®, combines experience as an investment broker and wealth manager, a proven approach to long-term financial planning and the unique skills of a Certified Divorce Financial Analyst® (CDFA®) to help a divorcing client understand and address the associated financial issues and helping them in obtaining a fair and equitable divorce settlement. She directs the HBKS® CDFA® practice out of the firm's Pittsburgh offices.

Ms. Kline is the author of Fundamentals of the Futures Market, published by McGraw-Hill in 2000, and has contributed numerous articles to various magazines, including Futures Magazine and Bloomberg BusinessWeek. She is a member of the Institute for Divorce Financial Analysts (www.institutedfa.com), International Academy of Collaborative Professionals (www.collaborativepractice.com) and The Collaborative Law Association of South Western PA (www.clasplaw.org). She holds a B.S. in Genetics from University of California at Davis, and an MBA from Santa Clara University.

It's a snowy Monday morning and the kids have a two-hour school delay. "Ah-h-h," you ponder, "a little quiet time to myself today." You make a cup of coffee and turn on the television. It's a little early, so in lieu of HGTV, you catch an infomercial. "Flawless coverage!" boasts the host. "Our new Miracle Powder will camouflage any blemish. All your friends will notice about your face is your glowing skin! For just two low payments of twenty-nine ninety-nine, this amazing makeup set can be yours. But wait …"

Yeah, yeah. You know the drill. Be careful, or you'll be subscribing to repeat orders that will take three phone calls and lots of aggravation to cancel. You're too smart for that one. So you log on to Amazon to see if the product is available without the games. Sure enough, there it is – and it's only forty bucks! Click and you've ordered it. That two-hour delay just cost you forty dollars.

It may seem harmless enough, but those impulse buys could disrupt your financial future. What if instead of spending that forty dollars you saved it? Would the product make a real difference in your life in the future? Does $58,000 sound like it would make a difference?

Here's the math:

- $40 per week, four weeks per month, equals $160 per month
- $160 invested every month equals $1,920 saved per year.

Of course there are no guarantees. Markets have good years and bad years. But let's just say you earned an average 4 percent annual net return[1]. In twenty years, your account could be worth over $58,000[2]. Assuming the balance continues to earn an average 4 percent net annual return, you could withdraw income from that account of over $300 every month for the following twenty years[3]. You've just created your own little pension – and just by paying yourself forty dollars per week, instead of the TV huckster.

It is important to set up your monthly savings via automatic deposit. Don't tell yourself you will "write a check every month." Odds are, it won't happen on a consistent basis. And, if the money is automatically withdrawn from your checking account, you probably won't even miss it.

There are factors that will affect your returns, such as taxes, market volatility, your risk attitude, and so on, which is why it is important to consult a financial advisor to help you reach your goals. But whatever you can save, four, forty or four hundred dollars a week, your efforts will reward you and your future handsomely.

1 - Net returns = after-taxes and fees
2 - Each payment earns the assumed 4% annual return divided by 12 months, every month.
3 - Beginning value of $58,000 continues to earn 4% annual interest as each monthly payment is withdrawn.

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