

Saving for Retirement or College: Pick One



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Good for you if you're able to put enough money aside to cover your retirement and your kids' college educations. But if not, remember the flight attendant's advice before take-off: put the oxygen mask on yourself first, then on your child. If you have to choose between funding retirement or college, choose retirement.

It might seem selfish, but it's solid advice. The point is that if you're not financially stable in your retirement, you're not being good to anyone, including your children.

Plus, there are many more options for college funding than your retirement dollars. There are grants and scholarships. Most states have programs to provide support to students who have maintained good grades in high school. Despite the negative publicity, student loans are available and useful. And if you can afford to put away a small amount of savings for college, it can grow nicely over time in one of the various tax-advantaged 529 plans to provide some if not all the money needed for tuition and expenses.

Of course, you'd prefer to save for both retirement and your children's college. You can start by discovering your financial needs for each goal. A Certified Financial Planner™ can help you determine your retirement income needs and your child's college funding needs. In the meantime, answering some key questions can help.

FOR RETIREMENT

- How many years until you expect to retire?
- How will inflation, the rising cost of living, impact the amount of money you will need at retirement? (On average inflation doubles costs every 12 years.)
- Where will you live and how will that impact your cost of living? Will you have a mortgage or other debts?
- If you participate in an employer-sponsored retirement plan or a pension plan, what's your balance now and what do you estimate your balance will be when you retire?
- If you're not contributing to a company plan — or even if you are — are you contributing to a retirement plan of your own, like an IRA or a Roth IRA? What is that balance and what do you expect it to be when you retire?

- How much do you expect to receive in Social Security benefits? You can estimate your future Social Security income using the benefit calculators on the Social Security Administration's website, www.ssa.gov. You can also sign up to view your online Social Security Statement, which contains a detailed record of your earnings, as well as estimates of retirement, survivor's, and disability benefits.
- What standard of living do you hope to have in retirement? For example, do you want to travel extensively, or will you stay in one place and live simply?
- Do you or your spouse expect to work part-time in retirement?

FOR COLLEGE

- How many years until your child starts college?
- Will your child attend a public or private college? What's the expected cost, expenses as well as tuition?
- Do you have more than one child to save for?
- Does your child have an academic, athletic, or artistic skill that could lead to a scholarship?
- Do you expect your child to qualify for financial aid?
- Will your child work while attending college and if so how much do you expect him or her to earn?

Once you have a grasp on your financial needs, the next step is to determine what you can afford to put aside each month. Prepare a detailed family budget that lists all of your income and expenses, keeping in mind that the amount you can afford will likely change from time to time. Once you've come up with a dollar amount, you can decide how to assign your savings. Again, think retirement first.

Key to facing the dilemma between funding your retirement and your children's educations is understanding that your children's lives are their own. You want to help, of course, as much as possible, but they're not going to pay for your retirement. Too, not everybody has to go to college. Many good careers don't require a college education. Recognizing that, many high schools are focusing on career planning, offering such programs as combined enrollment in academic classes and a technical school. And, not to discount the value of college, much ink has been given in recent years to formulaically demonstrating that the financial returns of a college education don't always approach the years and money it takes to earn a degree.

If you're like many families who don't have a lot of resources but enough that you don't qualify for financial aid for your college age children, then it's all about setting priorities. Like the flight attendant instructs you, you have to help yourself before you can help anyone else.

The topics discussed above are generic in nature and provided for educational purposes only. This article does not consider or address any individual's circumstances, and as such, cannot be relied on as individual advice. advice, please contact a qualified accountant or attorney.



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Kerri earned her Bachelor of Science degree in Marketing from the University of South Florida, as well as an Associate of Science degree in Business Administration from Lake Region State College. She holds the CERTIFIED FINANCIAL PLANNER™ designation as well as the Chartered Retirement Plans SpecialistSM certification.

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