A Lesson in Planning for Retirement: 3 Powerful Partners for Growing Wealth

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When thinking about retirement planning, it can be a daunting task for a young person to sacrifice earnings now to plan for retirement 40 years in the future. It may feel like small contributions saved and invested now will not make much of a difference in the future, so what is the point?

As a young professional, you may feel small, alone and insecure about saving and planning for the future. However, you are not alone. You have two very powerful and helpful partners in growing wealth over time, so your trio can work toward this goal together.

I entered the Westwood retirement plan system in 1992 and opened my first 401(k) plan account. I am now 51. Looking back over the past 26 years of investing, there have been many market cycles, recessions, bull markets, a financial crisis and countless periods of market volatility. Today when I look at my 401(k) account balance, I notice that it has grown into a sum that is well on its way to providing a good nest egg for when it's time to retire. This account has grown over time due to diligent saving every month for 26 years and the boost from the three powerful partners:

1.

My consistent paycheck contributions

2.

My employer match and profit-sharing contributions

3.

Investment market gains over this long period of time

As a long-term investor, I enjoy the benefits that market gains provide from being consistently invested in equities over a long period of time. The employer contributions act as a very strong lever than can lift far more load than my contributions alone.

A recent report stated that the preferred 401(k) investment vehicle for those in the millennial generation is cash. While keeping retirement savings in cash may seem like a safe choice, inflation has averaged 2.9 percent over the last 40 years, so inflation diminishes any return that comes from holding cash. And a cash investor is forgoing the two strongest wealth accumulation weapons in a young person's arsenal: time and the power of compounding. The U.S. economy has grown steadily for 225 years, with only occasional and brief periods of slowdown. Not betting on this strong economic horse to help grow wealth over time is a terrible mistake.

I have also considered what I did right over the years, and what I did wrong:

Good moves:

- I have been consistently invested in a diversified portfolio of equity strategies and have invested new contributions, in good times and bad.
- While I do monitor my portfolio holdings, I adjust those holdings infrequently, as the goal and the investment strategies do not change. Reducing risk in the future as retirement draws closer will also be a prudent idea.
- I have not tried to time the market based on gut feelings. The S&P 500 has risen in 73 percent of the last 100 calendar years, and market returns have bested the inflation rate in 80 percent of those years, so attempting to beat the odds by market timing is not a good bet to make.
- I did not borrow from the account or take distributions. Any time that your money is not working in the account for your benefit is a lost opportunity for growth.

Bad moves:

> I bought individual stocks at times, which is not a productive focus for a long-term retirement planning account. For example, in February of 2000 I bought a small tech stock at the peak of the dot-com craze that then lost most of its value over the next year. I learned a great lesson, however, and I kept the shares in the account for the next 15 years at its tiny market value as a constant reminder that buying individual stocks in a retirement account is a bad idea. This kept my investment choices and long-term focus on the straight and narrow.

With the very long timeframe that is the nature of a 401(k) plan account, it is clear that you can survive some small mistakes and still meet your long-term goals. If you consistently invest for the future and let your other two powerful partners help do the heavy lifting, you will be successful in meeting your goals on your retirement planning journey.

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