

Early and Often: The Slogan of a Savings Champion

Self-accountability is characteristic of successful people. Discipline, perseverance and hard work result in achievement. Financial advisors can assist with sage advice and tax-efficient diversified portfolios, but the main driver of a portfolio's value is the total amount saved and invested. Market returns depend upon opportunity, are volatile and are things we cannot control. How much is saved is something we can control. Accountability means taking control and responsibility for the future. Are you ready to become a savings champion?

A commitment to saving has a large impact on your account balance. The concept of compounding is powerful. It is underappreciated as compounding relies on time, and too often priorities focus on now and not our future.

		Saved Amount at the below Age									
Age started saving	6%	55	60	65	70	75	80	85	90	95	
	25	\$ 5.74	\$ 7.69	\$ 10.29	\$ 13.76	\$ 18.42	\$ 24.65	\$ 32.99	\$ 44.14	\$ 59.08	
30	\$ 4.29	\$ 5.74	\$ 7.69	\$ 10.29	\$ 13.76	\$ 18.42	\$ 24.65	\$ 32.99	\$ 44.14		
35	\$ 3.21	\$ 4.29	\$ 5.74	\$ 7.69	\$ 10.29	\$ 13.76	\$ 18.42	\$ 24.65	\$ 32.99		
40	\$ 2.40	\$ 3.21	\$ 4.29	\$ 5.74	\$ 7.69	\$ 10.29	\$ 13.76	\$ 18.42	\$ 24.65		
45	\$ 1.79	\$ 2.40	\$ 3.21	\$ 4.29	\$ 5.74	\$ 7.69	\$ 10.29	\$ 13.76	\$ 18.42		
50	\$ 1.34	\$ 1.79	\$ 2.40	\$ 3.21	\$ 4.29	\$ 5.74	\$ 7.69	\$ 10.29	\$ 13.76		
55	\$ 1.00	\$ 1.34	\$ 1.79	\$ 2.40	\$ 3.21	\$ 4.29	\$ 5.74	\$ 7.69	\$ 10.29		
60	\$ -	\$ 1.00	\$ 1.34	\$ 1.79	\$ 2.40	\$ 3.21	\$ 4.29	\$ 5.74	\$ 7.69		
65	\$ -	\$ -	\$ 1.00	\$ 1.34	\$ 1.79	\$ 2.40	\$ 3.21	\$ 4.29	\$ 5.74		
70	\$ -	\$ -	\$ -	\$ 1.00	\$ 1.34	\$ 1.79	\$ 2.40	\$ 3.21	\$ 4.29		

The above chart demonstrates what amount \$1 compounds with a 6% annual return. The vertical access is the age when you saved the \$1, and the horizontal axis is the age and the value of that initial \$1. A dollar saved at age 25 is worth \$10.29 at the typical retirement age of 65. If you waited until age 45 to save, then it would be worth \$4.29 at age 65. Another perspective is you will have to save \$2.40 or 2.4 times the amount saved at age 25, at age 45, to have the same end result at age 65.

Saving one dollar, one time is not going to make a difference in meeting your goals. If you are disciplined, committed to savings, and make a habit, ritual or forced behavior then the impact will be noticeable. The chart on the next page demonstrates saving \$1 every year, from the age on the vertical axis, and its value at the age on the horizontal access.

The strategy starting at age 25, results in a value of \$164.05 at the typical retirement age of 65. Empowerment is a powerful sentiment, and annual resources might be unreliable in terms of consistency of amount and frequency. Forming an addictive habit to savings requires top of mind, and a dependable frequency, i.e. paycheck cycle.

		Saved Amount at the below Age									
Age started saving	6%	55	60	65	70	75	80	85	90	95	
	25	\$ 83.80	\$ 118.12	\$ 164.05	\$ 225.51	\$ 307.76	\$ 417.82	\$ 565.12	\$ 762.23	\$ 1,026.01	
30	\$ 58.16	\$ 83.80	\$ 118.12	\$ 164.05	\$ 225.51	\$ 307.76	\$ 417.82	\$ 565.12	\$ 762.23		
35	\$ 38.99	\$ 58.16	\$ 83.80	\$ 118.12	\$ 164.05	\$ 225.51	\$ 307.76	\$ 417.82	\$ 565.12		
40	\$ 24.67	\$ 38.99	\$ 58.16	\$ 83.80	\$ 118.12	\$ 164.05	\$ 225.51	\$ 307.76	\$ 417.82		
45	\$ 13.97	\$ 24.67	\$ 38.99	\$ 58.16	\$ 83.80	\$ 118.12	\$ 164.05	\$ 225.51	\$ 307.76		
50	\$ 5.98	\$ 13.97	\$ 24.67	\$ 38.99	\$ 58.16	\$ 83.80	\$ 118.12	\$ 164.05	\$ 225.51		
55	\$ -	\$ 5.98	\$ 13.97	\$ 24.67	\$ 38.99	\$ 58.16	\$ 83.80	\$ 118.12	\$ 164.05		
60	\$ -	\$ -	\$ 5.98	\$ 13.97	\$ 24.67	\$ 38.99	\$ 58.16	\$ 83.80	\$ 118.12		
65	\$ -	\$ -	\$ -	\$ 5.98	\$ 13.97	\$ 24.67	\$ 38.99	\$ 58.16	\$ 83.80		
70	\$ -	\$ -	\$ -	\$ -	\$ 5.98	\$ 13.97	\$ 24.67	\$ 38.99	\$ 58.16		

Now that you are motivated, let's increase the annual contribution by 5% each year.

		Saved Amount at the below Age									
Age started saving	6%	55	60	65	70	75	80	85	90	95	
	25	\$ 149.32	\$ 227.93	\$ 340.90	\$ 501.99	\$ 730.21	\$ 1,051.78	\$ 1,502.70	\$ 2,132.45	\$ 3,008.76	
30	\$ 90.83	\$ 143.57	\$ 220.24	\$ 330.61	\$ 488.22	\$ 711.79	\$ 1,027.12	\$ 1,469.72	\$ 2,088.30		
35	\$ 54.98	\$ 90.83	\$ 143.57	\$ 220.24	\$ 330.61	\$ 488.22	\$ 711.79	\$ 1,027.12	\$ 1,469.72		
40	\$ 30.98	\$ 54.98	\$ 90.83	\$ 143.57	\$ 220.24	\$ 330.61	\$ 488.22	\$ 711.79	\$ 1,027.12		
45	\$ 15.23	\$ 30.98	\$ 54.98	\$ 90.83	\$ 143.57	\$ 220.24	\$ 330.61	\$ 488.22	\$ 711.79		
50	\$ 5.18	\$ 15.23	\$ 30.98	\$ 54.98	\$ 90.83	\$ 143.57	\$ 220.24	\$ 330.61	\$ 488.22		
55	\$ -	\$ 5.18	\$ 15.23	\$ 30.98	\$ 54.98	\$ 90.83	\$ 143.57	\$ 220.24	\$ 330.61		
60	\$ -	\$ -	\$ 5.18	\$ 15.23	\$ 30.98	\$ 54.98	\$ 90.83	\$ 143.57	\$ 220.24		
65	\$ -	\$ -	\$ -	\$ 5.18	\$ 15.23	\$ 30.98	\$ 54.98	\$ 90.83	\$ 143.57		
70	\$ -	\$ -	\$ -	\$ -	\$ 5.18	\$ 15.23	\$ 30.98	\$ 54.98	\$ 90.83		

How does 25-year-old become a millionaire? Get lucky and become a contestant on Regis Philbin's TV game show or save \$2,933 at age 25, and increase that amount by 5% a year, every year until the age of 65. The initial savings can be broken down to \$244 a month or \$56.41 a week for the first year.

It's an intuitive concept that the more you save the more you will have in the future. Quantifying the scenarios with tables will hopefully be encouraging and motivational. The final table compares all three scenarios, and truly demonstrates that a dollar can go a long way.

At age 25	At age 65
Saving \$1 once	\$ 10.29
Saving \$1 every year	\$ 164.05
Increase annual savings by 5%	\$ 340.90

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