

How to Build a \$1 Million Dollar Retirement Portfolio – Yes, it's possible!



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While people know what they should do, unfortunately, sometimes life gets in the way of their plan. Well, all is not lost; it's never too late to start moving in the right direction.

THE 1ST AND MOST IMPORTANT RULE-

Start saving! If you are already saving...great job! Now let's make sure you are saving the proper amount. To get to a million dollar retirement portfolio it's not as hard to get to as you might think. Understand there will be ups and downs however staying the course during those down turns will pay-off over the long-term. 'Slow and steady wins the race'.

While starting to save early is always advised, it's not always possible with prior student debt, lay-offs, children, emergencies, etc. So I made the assumption that a couple didn't start saving until they were 40 years old, quite a bit older than many financial articles write about – albeit probably more realistic. So let's get started...

THE ASSUMPTIONS-

We need to make some assumptions, of course your numbers might be slightly different, but this will give you an idea of the process to figure out what you need to do.

1. Married couple with combined annual income of 150,000 (\$75,000 per person)
2. Couple's individual average age 40, (\$0 beginning balance)
3. Save 10% of your total income, \$1,250 monthly (\$15,000 per year)
4. Consistently save for 25 years
5. Portfolio earns 7%* per year (average)

**the stock market has returned closer to 10% over the last 25 years.*

THE RESULTS-

With the above assumptions, a couple who starts saving at age 40, saves 10% of their income for 25 years which earns an average return of 7% will reach their goal of a \$1 Million retirement portfolio. I call this the 25/10/7 plan. Save for 25 years, 10% of your income, portfolio earns 7% per year.

SOME POINTS TO REMEMBER-

- Make sure your retirement account is properly allocated.
- Take advantage of your company's matching program.
- Don't be too cautious with your investments before or in retirement. Taking the proper amount of risk is critical to your investment success both before and during retirement.
- On the flip side don't take on excessive investment risk in an effort to catch up if you feel that you are behind where you need to be. Save more and make sure you understand how you are invested.
- Check your account regularly (at least annually) to see how you are tracking to your plan. Know what you are invested in.
- Get help if you aren't sure about how to reach your retirement goals.

Below is a chart you can use to determine how much you need to save on a monthly basis depending on when you begin saving (assuming a 7% average annual return). Obviously, the sooner you start the less you need to save to reach \$1 million dollars.

Monthly Savings Needed to Reach \$1 Million Dollar Retirement Portfolio

