WILL YOU REACH YOUR OWN FINANCIAL SECURITY?

by: Wes Tailor

This spring is turning out for many of us to be the best in memory. Because of this boom in sales, without the killer frost, many growers are experiencing a relatively new phenomenon. They have extra cash in the bank. They are now saying, "Finally I have some money that I can use for myself rather than shoveling back into the business." A lot of growers are now thinking of personal financial security or retirement. To reach your retirement destination of financial independence, you'll need an efficient savings vehicle with proven investment performance.

As natural resources have been used to improve our world, your financial resources will be important to enhancing the quality of your retirement years. To get the most of our natural resources while preserving the quality of the environment, we know we must pay attention to how we use them. What we do today affects tomorrow. We are learning the same lesson when it comes to retirement resources. We cannot depend solely on a social security check anymore. Whether you plan to spend your golden years golfing, traveling or just "relaxing" in the greenhouse, it is important to remember that you should begin now to create the resources that will make your dreams a reality.

Retirement is a nice destination. Unemployment isn't. Yet, the two go hand in hand. The truth is most people won't be prepared for both. They simply will not have enough money.

You will need somewhere between 65% and 85% of your final annual salary to maintain your current lifestyle each year after retirement.

If you think social security and pension benefits will get you through retirement, think again. Relying on government and company retirement benefits as your sole source of retirement income will probably not allow you to keep up the lifestyle to which you are accustomed. Generally, social security and pension benefits provide an average of 43% of retirement income needs (Source: Social Security Administration and Bureau of Labor Statistics).

Logically, the remaining 57% necessary to meet your needs will have to come from your personal savings. But, most of us will live longer than our parents and, very likely, longer than we expect. What you do before retirement will determine how much you have to make up in the shortfall between what you'll need to support yourself and the income you can expect from social security.

In order to plan for retirement, there are a number of options available to most people. Probably the best alternative would be to contribute to some type of employer-sponsored qualified retirement plan. The size and structure of your operation will determine the best form of qualified plan for you. Some options might be a Simplified Employee Pension (SEP-IRA), a Defined Benefit Pension or a Profit-Sharing Plan, etc. These allow the employer to take current tax deductions for any contributions made and the employees are only taxed when they begin withdrawals for retirement benefits. Also, the investments within the plans are allowed to grow tax-deferred until the recipients withdraw their benefits.

Other alternatives might include an Individual Retirement Account (IRA), or a variable annuity. These all allow for tax-deferred growth on the investments within the plan. If eligible, the IRA allows a current tax-deduction for contributions, but you are limited as to how much you may contribute each year. Also available are non-qualified deferred compensation plans utilizing after-tax contributions, and if funded with life insurance, the internal build-up can grow on a tax-deferred basis.

The road to retirement could be bumpy, potentially riddled with inflation and volatile tax and interest rates. That is why you need an investment vehicle to help withstand such variabilities.

Mutual funds create the possibility of higher long-term returns. By investing in mutual funds, you pool your dollars with thousands of other investors and place your money under the care of professional investment managers. You potentially reduce risk since these expert managers diversify your investment over a broad variety of securities; and

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you can further protect and diversify your investment by selecting several different mutual funds. Mutual funds may be used as the underlying investment for any of the retirement plans mentioned previously.

Your retirement will ultimately depend on you. Another key to realizing your dreams is to not only get started on the road today, but also to continue on a path of regular investing. When you invest regularly to a retirement plan, you do not have to second guess the market, because of a principle called dollar cost averaging. With dollar cost averaging, you are investing equal amounts of money at regular intervals, regardless of whether securities markets are moving up or down. In this way, you buy more shares when prices are lower and fewer shares when prices are higher, so you avoid the common pitfall of investing all your money near the top of a market cycle. The result, over time, is an average share cost which is lower than the average of the prices over the same time. Look at the following example:

How Dollar Cost Averaging Works*

Month	Investment	Price	Shares Per $200 (to nearest whole share)
1	$200	$10	20
2	$200	$8	25
3	$200	$5	40
4	$200	$8	25
5	$200	$7	29
6	$200	$9	22

Total Shares Purchased: 161

Original Investment: $1,200

Value of Investment: $1,449 ($9 x 161)

Average Cost of Each Share: $7.45 ($1,200/161)

Average Price of Share: $7.83 (10 + 8 + 5 + 8 + 7 + 9/6)

* Please note: Dollar cost averaging involves continuous investment regardless of varying share prices. Consider your ability to continue purchases through periods of price fluctuations. Dollar cost averaging does not assure a profit or protect against loss of declining markets.

As you try to arrive at the right combination of plan type, underlying investments, and contribution timing, it may help to consider the following:

* When do you want to retire?
  The younger you are when you start contributing, the more time you have to let your money work for you. If you retire early, your investment will need to provide you with an income for a longer period of time, and you will have less time to amass those investments.

* How much money will you need when you retire?
  That will depend on how much money you make now (and how much you expect to make just before you retire), what kind of lifestyle you have now and what kind of lifestyle you want to have while retired. A guideline is that experts estimate most people need about 75% of their current annual income to maintain their lifestyle in retirement.

* Will you have any additional retirement assets other than your own retirement plan?
  Do you have pension or any type of retirement plan money set aside from past jobs? Do you have other savings or investments that you plan to use to support yourself during retirement? Does your spouse have money set aside in a retirement account?

Once you consider these questions, you can begin to construct a well-organized retirement plan.

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