

Not Me! Financial Denial

Top Four Financial Mistakes

By Glenn G. Kautt, CFP, EA

Until they have gone through the development of a complete financial blueprint, most people don't realize how much money they're going to need when they fully retire. People who do not develop a financial plan generally aren't going to save enough to afford the kind of lifestyle they desire. Why not? For the reason I just mentioned: people are in denial. Have you heard (or made) any of these comments?

- “Well, I just don't need to save that much. I just don't. I mean, I just won't!”
Yup, denial!
- “I don't have any money to save.” More denial.
- “I can't put any more in my retirement plan.” This begs the question – what is this person doing with the other money he or she is earning?
- Here's a common one: “I really don't know what to invest in; therefore, I'm not investing in anything.” Doing nothing really is a decision – a bad one. Over the long-term, doing nothing – investing in nothing more than a bank savings account at an interest rate less than the rate of inflation – is financially dangerous and may doom the non-investor to financial failure.
- Occasionally, I hear this one: “I really am going to win the lotto!” Whew! Yes, Virginia, there is a Santa Claus, but he's not stopping at your house tonight.

What financial planners find when working with clients is 60 to 70 percent of people who are working today are under-funding their retirement. How do I know? As a CFP, when I've done a preliminary analysis, many clients have a shortfall in the outcome of their financial planning model. What does this mean? If nothing is done about it, their standard of living will decline appreciably when they are fully retired.