



## PREPARING FOR RETIREMENT

### Equine professionals need to make a plan sooner rather than later

By Usa Munniksma

If you love your job, you might be thinking you won't want to retire come age 65. That's a nice thought. But at some point you'll likely need to reduce your workload, and you may eventually want to stop working entirely. The time to prepare for that event is now, while you're still working and able to make sufficient plans with a clear mind.

While it would take a three-volume set to cover everything you need to know about retirement planning, we asked small-business consultant and financial planning expert Mary Lacey Gibson, CFP, for a basic overview.

Retirement planning "is based on the goals that people have. It's putting a number of data together and doing projections," says Gibson, a former tack store owner in California.

Retirement goals such as the age at which you plan to retire and the standard of living you'd like to maintain require real thinking on your part. These projections don't have to be set in stone, but they will give you a path to follow.

"It's part art, part fact, and a lot of it lies in the assumptions that people make. All of this, like a business plan, starts with setting concrete goals of where you want to be in the future,"

says Gibson.

#### Pay Yourself First

This is probably not the first time you've run into the concept of "paying yourself first." It's one of the most basic ideas behind saving for the future. If you own your business, you're probably thinking that you do pay yourself first; for many, all of your profits go back into your business. While that may be what your business needs to grow, you need to think about diversifying your investments and providing a financial cushion for yourself.

The minimum amount financial professionals suggest you put away is 10 percent. While that may seem like a lot, financial advisors often recommend even more. Gibson cautions, "It could be that you're 40 when you started [saving]. That [10 percent] is not going to be adequate."



The amount that you set aside will depend on your current circumstances, your business exit strategy, and what you plan to do in retirement. The pay-yourself-first concept supplies the means for both an emergency savings account and retirement investments.

“There are a lot of people in this industry who don’t have a pension plan,” Gibson says. If you’re in that situation, you need to be even more diligent about setting up your own retirement investments and sticking to your savings plan. These can include simplified employee pensions (SEP or SEP-IRA), Keogh plans, solo 401(k), Roth IRA, and spousal deductible IRA.

Each investment vehicle carries a certain risk. Investments that put your money into the stock market, such as buying direct stocks and mutual funds, fluctuate in value more than money-market accounts or bond funds, but the possible return is greater. A financial consultant can help you sort out the best investment choices based on your situation.

“My basic investment philosophy is that it is better to be diversified than concentrated,” explains Gibson. Diversification means having your assets spread over a range of investments. Your business is one asset, and the real estate that the business sits on is another. With those assets in place, Gibson likes to see clients invest in equities and bonds as well as in international interests.

Diversification is designed to keep your net worth growing. When one area of your investment portfolio is doing poorly, another will likely be doing much better, and the pluses and minuses balance each other.

The amount of money required to start an investment portfolio can be as low as \$100. The idea is to get started right away, and what you do invest will grow exponentially over the years.

### **Considering Care**

Two areas people often underestimate are the cost of health insurance and the potential need and cost of long-term care. Preparing now in terms of insurance and savings for these purposes will lessen the surprise and potential damaging effects of these later on.

Because retirement means something different to everyone, Gibson says, the financial and retirement projection calculators you find online



are not the best measure of your future financial needs. There is a ton of really good information about these topics on the Internet, but not everything should be taken as pure truth.

"Many of these retirement calculators don't give you the ability to input the depth," she says. "They are very 'vanilla.' They don't allow for the consideration of flavors that people's lives have. Many of the results you get may be too generic."

"It is critically important that (business) owners look at their options and don't depend upon their business as their sole asset for retirement. You can never know what's going to happen in the future," she says.

Gibson is proof of that. During her time as a shop owner, she loved her job and didn't foresee leaving it. But when personal circumstances warranted a more flexible lifestyle, she closed the tack store and began her business in financial consulting. Having no plan would have seriously damaged her ability to make the changes her life required.

### **Don't Go It Alone**

Retirement planning can be a complicated process with a lot of decisions. "Speaking with a financial advisor will help you wade through all the information that's out there. It makes more sense for people to spend the time doing what they're good at and to hire someone to do the research and the work for you in the financial planning area," says Gibson.

How can you find an advisor you can trust? There's a host of financial advisor groups that offer certifications. These organizations are a good place to look. By earning certification, advisors have met the educational,

### **Find Your Advisor**

The number of financial planning and advisory groups offering certifications and membership is extensive. Some of the largest include:

- Certified Financial Planner Board of Standards: [www.cfp.net](http://www.cfp.net)  
The CFP designation is generally considered "the standard" for financial planning.
- Financial Planning Association: [www.fpanet.org](http://www.fpanet.org)
- National Association of Personal Financial Advisors: [www.napfa.org](http://www.napfa.org)
- Garrett Planning Network: [www.garrettplanningnetwork.com](http://www.garrettplanningnetwork.com)
- International Association of Qualified Financial Planners: [www.iaqfp.org](http://www.iaqfp.org)



professional, and ethics criteria outlined by the organization.

It's good to find an advisor who takes an overall look at your financial plan, not just your retirement plan. Don't be afraid to interview several professionals and find out what their strengths are before signing on.

Another great place to find a financial advisor is by word of mouth. An advisor's planning philosophy and his or her ability to make you feel comfortable are just as important as credentials. A referral from someone you trust is invaluable. If you can find an advisor with some background in the equine industry, that's even better.

Familiarity with businesses like yours is a plus. "There are some specific issues that small business owners face, such as placing value on the assets that you have (including your business) and understanding how your assets will work into your financial plan," says Gibson.

Can you afford a financial advisor? "It doesn't have to be terribly expensive," Gibson says. The cost will depend upon whether the planner works on a fee-only basis, a commission-only basis, or both. Some charge hourly rates; others have package prices or annual fees. The cost will also depend upon the segment of the population the advisor works with. Some only work with the affluent, while others offer services for middle-market segments, small businesses, or across the board.

Considering all that is involved in retirement planning, it's no wonder equine professionals put off the task. But it's time well spent. "Retirement now can last as long as 30 or 35 years," Gibson says, and it takes considerable planning to be ready for that.

While the best time to start your financial planning is when you start your first job, the second-best time to start is today. Whatever your age and financial situation, a good plan can help craft a retirement that you and your family can enjoy.

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