

**Bob Hastedt, Director of Education/Participant Services, guides you through retirement planning in his first of a series of articles published in Perspective magazine.**

## Make Retirement “Start” In Your Twenties

*While it may be the last thing on your mind, setting goals for a sound financial future should begin with your first paycheck.*

### Robert Hastedt

*This is the first in a series of articles on planning for retirement for YMCA professionals of different age groups.*

—Editor

**M**aking the transition from being a student to having a job and a career may fill you with questions—the answers to which you never learned in school. Questions like: Who is FICA and what’s he doing with all of my money? Why do I have all this insurance and what is it for? If I have extra money this month, how quickly can I spend it?

It’s hard to believe that your first obligation with your first paycheck is not simply to spend it. However the time to make some long-term decisions about your life, and in particular your financial life, is beginning. The first question you should be asking is not “What can I buy?” but “What do I want?” The answers to these questions are, in part, going to depend on other life choices you will make or have already made. While many of us leave college or begin a new job without having any obligations, others may have already decided to start a family. Your financial life will also depend on choices you have made as well as choices you will make throughout your lifetime. The goals you set at the beginning of your career will change over and over again during your life.

When deciding on what you want for the future in terms of goals, financial issues fall into four general categories. The first deals with trying to control how much money you have borrowed from others. The second are major purchases. The third group of financial goals deals with protection. The fourth is retirement.

**Loans and debt.** Many people leave college with a considerable amount of debt from student loans. Student loans are usually viewed as “good debt.” Good debt is money borrowed to purchase something that increases in value. For most people, this typically means student loans, which increase your ability to earn money, and mortgages.

Bad debts you may have when you begin your financial life usually come from the use of credit cards. Credit card issuers make offers that seem to be too good to be true. They lend money at extraordinarily high rates of interest. It is easy to get into trouble by not controlling the amount of this type of debt.

**Major purchases.** These run the gamut from vacations and furniture to cars. It’s important to spend time saving for these purchases ahead of

time instead of trying to buy everything first and figuring out a way to pay for it later.

**Protection.** One of the reasons to get a job that pays a salary is to provide you with what you need and want. Whether you are on your own or have people who rely on you, there are circumstances that threaten your ability to earn a salary. Whether it’s a minor or significant illness or some destructive event, you need to protect yourself, your loved ones and your assets. Most protection goals are covered by some form of insurance.

**Retirement.** While you dream of a long and productive career, you also dream of a time when you have saved enough money so you don’t have to worry about earning a salary. The earlier you begin working on this, the more likely you will be able to meet this goal.

Once you’ve set goals, set a time frame for achieving these goals as well as determine their costs. Each financial goal has two costs, the amount of dollars needed to achieve that goal and the things you’re going to have to give up in order to reach that goal. Once you’ve done this, you need to determine which goals are the most important to achieve. Every financial goal is going to be some type of drain on your resources. You may not be able to commit money to all of them at the same time.

In dealing with goals, take into account the fact that the cost of goods and services is going to rise over time. A

quick way to determine how this rise in costs, or inflation, is going to affect your goals is called the rule of 72. If you take the number 72 and divide it by what you assume the rate of increase for inflation will be, you’ll discover how long it will take prices to double. For example:

$$\frac{72}{3\% \text{ inflation}} = 24 \text{ years}$$

Most times you’ll want to use a long-term infla-



Robert Hastedt is director of education/participant services for the YMCA Retirement Fund in New York, NY and a member of APD Chapter 1.

tion assumption of between three and five percent.

Once you set goals, make sure to devote a portion of your earnings towards meeting them. In many ways, saving to meet these goals is as important as paying any of your other bills. Once you're on course you need to check in every once in a while to see how you're doing. See whether you're saving enough to accomplish your goals. If you're doing better than you thought you can work on other goals. If you're not doing as well as you hoped you can try to find some additional savings opportunities.

### **Understanding the Benefits**

As you begin your first job, your questions are probably a little more basic. You look at your salary as payment for the work you perform but that's only a piece of the entire package.

*With time, you can rely on the compounding power of interest to generate the lion's share of your requirements.*

Compensation from an employer also includes paid time off and benefits.

Paid time off usually comes in two forms. Vacation time is paid time off you can schedule and use for whatever reason you like. You can use it for travel, relaxation or personal business. Be aware that, depending on the YMCA's personnel policy, employees may be allowed to carry over only a certain amount of vacation time and may forfeit vacation time they don't use within a certain time frame. Try not to forfeit unused vacation time. It's the same as saying you're being paid too much.

Sick and personal time is for those occasions when you need to take unexpected absences. Sick and personal time

are a part of the protection goal we referred to earlier. Sick days allow an employee to be absent while sick without having to sacrifice income. Unlike vacation, sick and personal time is only there to be used if needed. If the YMCA's policy allows employees to save up unused sick time, take advantage of this benefit. At times when you're seriously ill, sick time is the first defense against loss of income.

Benefits make up a large amount of your compensation package. Benefits are

made up of both the option to purchase benefits as well as assistance in paying for these benefits. Medical insurance is one of the most valuable benefits. Medical insurance provides you with assistance in paying for medical care for you and your dependents. You may be required to pay a specific amount before benefits begin (called a deductible) or a certain amount every time that you use the benefit (called a co-payment).

Disability insurance could be the most important insurance benefit you

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Embody in one's personal life standards of conduct, so perfectly exemplified by the life ministry of Jesus, which will reflect honor and credit on the profession.

Accept responsibility for the quality of one's own professional competence.

Maintain loyalty to the employing YMCA and support its organizational objectives.

Commit one's professional leadership to the achievement of the YMCA's Christian mission and purpose.

Conduct one's personal and professional affairs in a manner that will avoid any exploitation of or embarrassment to the YMCA.

Seek opportunities for personal and professional development for self and colleagues.

Manage information and preserve confidentialities, gained through professional relationships, in a responsible manner.

Render fair and just considerations in work assignment, employment practices, decision making processes, and programmatic endeavors.

Understand and accept persons with differing beliefs and behavior and serve each other respectfully and impartially.

Be honest and truthful.

*Association of Professional Directors  
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YMCA provides. It continues a certain percentage of your salary if you are unable to work due to illness or injury. Each policy defines under what circumstances benefits are paid as well as the limits on the amount of benefits.

Whatever your YMCA's personnel policy provides, it's important for you to take the time to understand the benefits it provides. You can then determine whether your individual needs require additional spending in any of these areas.

### Time is On Your Side

Planning for retirement, particularly at the beginning of a career, can be a frightening thing. In order to obtain a secure retirement, it requires saving a significant amount of money. Depending on your projected needs, you could need several hundred thousand dollars or more in order to meet your needs in retirement. If you plan on retiring in your 60s, you will need to have saved enough to provide income for more than 20 years after you stop working.

While this seems like a daunting task, at the beginning of a career you have the luxury of time in order to help meet your goal. The longer you have to save, the

less money you have to commit to savings. With time, you can rely on the compounding power of interest to generate the lion's share of your requirements. Let's say you decide to save \$100 a month and can find an investment that will pay five percent annually. How much can you save over time?

Time Left to Save	Total Savings
5 years	\$6,801
10 years	\$15,528
15 years	\$26,729
20 years	\$41,103
25 years	\$59,551
30 years	\$83,226

*You need to take charge and continue to review and work at it all through your life.*


You can look at it in another way. Let's say you need \$200,000 for your retirement goal. How much do you have to save each month to meet this goal?

Time Left to Save	Monthly Savings
5 years	\$2,941
10 years	\$1,288
15 years	\$749
20 years	\$487
25 years	\$336
30 years	\$241

The other important factor to remember in saving for retirement is your YMCA is saving with you. Depending on the agreement your YMCA has with the Retirement Fund (and not all YMCAs participate in the fund), its contribution to your retirement savings could be as much as 12 percent of your salary. Your YMCA's agreement may also require you to make a contribution to the plan. As you plan a YMCA career

move you should be aware of the contribution amount that each YMCA offers. Not all YMCAs offer the same amount. It will help you determine whether the compensation package offered is sufficient for you to make a move.

When looking at retirement benefits, remember that you need to meet certain eligibility requirement in order to participate in the plan (over age 21, employed for a period of time specified in the agreement between your YMCA and the fund, with 1,000 hours of employment in each of those yearly periods).

This probably seems like a lot to consider when you're first starting out. You've barely begun your career and you're setting goals for the rest of your life, accounting for inflation, determining how you're going to take care of your dependents if something happens and trying to save enough money so you can retire comfortably 40 years from now. The important thing to remember is that today is the time to start. Ignoring your financial life doesn't make the issue go away. You need to take charge and continue to review and work at it all through your life. 

*For further information, the author may be reached at [bastedt@ymcaet.org](mailto:bastedt@ymcaet.org).*

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