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It's never too late to plan for retirement

David Bach advises those who have neglected their financial planning

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About this time next year, Diane Rogowski will be moving out of her rental apartment and into her own two-storey condominium with a view of Lake Ontario. And with that first real estate transaction, Ms. Rogowski hopes she is well on her way to becoming financially secure -- perhaps even well off.

At the same time, Ms. Rogowski can't help feeling a tinge of regret that she didn't make the leap to home ownership a few years ago. She also wonders if mortgage payments and condo fees will eat into the cash she can put aside for retirement savings.

"I should have done things when I was 30, but I went through a divorce so it didn't happen," says the 38-year-old secondary school vice-principal.

Such feelings of remorse are amazingly universal, says money coach David Bach, who hears the same lamentations again and again at his financial seminars. Also common are life's curve balls -- divorce, death, illness, disability, bankruptcy, poor career choices or lack of education.

"If only I'd known in my 20s what I know today," is one of the most common refrains he hears.

Mr. Bach, whose book *Start Late, Finish Rich* hit shelves this month, devotes an entire chapter to helping people put the past behind them because he has noticed an odd facet of human nature: Even when people start doing everything right, they beat themselves up for not starting sooner. And when they're buried in debt without a centto their names, they become paralyzed by the mistakes they made in the past.

"People are brutal on themselves," the author says.

Mr. Bach admits to some missteps of his own -- including selling his first house in Danville, Calif., only to see it soar in value just a few years later.

"Stop asking yourself why you didn't do what you should have done. The real question is, what are you going to do about it now?"

Mr. Bach says people need to break the financial handcuffs of living from paycheque to paycheque and worrying about how they are going to get by in the future.

As for Ms. Rogowski, she is not starting late at all, in his opinion -- clients in their 50s and 60s can still turn their fortunes around if they follow a few simple steps now.

"Money is a game. You're in the game whether you want to be or not. Poor people are in the game but they don't realize they're in the game."

Mr. Bach cites Statistics Canada numbers that show that 33 per cent of Canadian families whose primary income earner is 45 to 64 years old appear not to have saved enough for retirement.

He adds that Canadians between the ages of 55 and 64 owe an average of $1,612 on their credit cards.

With 2005 marking the first year that North America has more individuals over the age of 60 than under the age of four, the cash crunch affects more and more people.

But Mr. Bach's conversations and e-mails with readers have taught him that people stay stuck in neutral if money management seems overwhelmingly complicated. So he came up with a plan that readers can begin to put into place in less than an hour.

First, find your "latte factor." Mr. Bach points out that an individual who can stop frittering away $10 a day and invest that sum wisely to earn a not-unreasonable 10-per-cent rate of return will have about $1.9-million after 40 years.

Find your double-latte factor. Saving $10 a day is a great idea if you are in your 20s because you have time to benefit from the miracle of compounding. The bad news is that if you're 40, for example, you'll have to put away roughly four times as much money as an early starter in about half the time to wind up with a nest egg comparable with theirs.

Mr. Bach advises readers to turbo-charge their savings power by taking a look at big expenses such as health club memberships, satellite dishes, and things like giant pick-up trucks for city drivers.

Pay yourself first and make it automatic. The author believes human nature makes us incapable of budgeting. People often try but it's only a matter of time before they end up at a mall maxing out their credit cards. Therefore, he says, have money taken off the top before you even see it.

Buy a house and pay it off early. "You only need to buy one property right one time in your life," Mr. Bach says. Even with the runup in real estate prices in recent years, he thinks that people who buy a home and pay it off early will still end up better off than those who rent. But if you're starting late, you may not want to commit yourself to a loan that will take 25 years to pay off.

Mr. Bach recommends making mortgage payments every two weeks instead of once a month. That means you end up making one month's worth of extra payments a year. With a $200,000 mortgage at an interest rate of 7 per cent, you would pay off the loan nearly five years early and save about $46,000 in interest costs.

Once people have their spending under control and begin to build up some savings, he recommends dividing assets into three equal parcels of real estate, stocks and bonds.

Warren Baldwin, a fee-only financial planner at T.E. Financial in Toronto, agrees that people need to banish credit card debt and get their expenses under control as a first step.

He often helps people find the "fritter factor" and realize how much they're losing in walking-around money. Once people have begun building assets, they can often do more to improve their financial positions, even when they're starting late, he says.

"People come to me all the time and their entire financial portfolio is completely in disarray."

Once people begin putting aside some cash, he recommends investing it in mutual funds or pooled accounts.

"If you leave it just languishing in a bank account or an on-line account, it starts to feel like a vacation or a new car after a while."

Asset mix is critical, Mr. Baldwin says, but the right mix of stocks, bonds and cash depends on the individual and factors such as their time to retirement.

The planner then advises people to look at tax-saving measures such as income-splitting with a spouse and making sure that the most heavily taxed securities are sheltered inside a registered retirement savings plan.

He also suggests that they take a good look at the fees, such as management expense ratios, that they are paying on their investments.

"The reluctance to get started can be very corrosive. This is your retirement, your financial security. Who should care more about it than you? If you want to live on government largesse in your retirement, you're really planning for a pretty sad state of financial affairs at that time."

As for Ms. Rogowski, Mr. Bach advises that she set up a biweekly mortgage, then start repaying the money she withdrew from her RRSP under the first-time homebuyers program. After that, he recommends that she set aside three to six months' worth of expenses so that she can still pay her mortgage if disaster strikes.

But she has already put the most important part of her plan into motion just by getting started, he adds.

After all, Mr. Bach says, it's only too late if you give up.