

How Investing in a Budget Can Improve Your Financial Health

One of the most common questions that we receive from our clients is whether they have enough money to retire. While at first this may appear to be a straight-forward, yes or no question – the answer depends first on your retirement budget.

We often say that the eight most important letters for financial planning are: C A S H F L O W. The best way of answering this “retirement readiness” question is to analyze whether your annual cash *inflows* will be greater than or equal to your annual cash *outflows*. While we will discuss ways that you can increase your cash inflows a bit later in this piece, we will first focus on the cash outflow portion.



Your annual cash outflow – AKA your yearly spending – is one of the factors that you have the most control over during retirement. However, the majority of people do not know how much they spend. According to a recent study by U.S. Bank, only 41% of Americans use a budget. While there are rules of thumb regarding recommended spending amounts during retirement – you may be familiar with the 4% rule – it is important to recognize that each individual’s spending needs are unique, reflecting personal needs and priorities. While developing and maintaining a budget may feel overwhelming at first, taking the first step can be relatively simple thanks to modern technology. Not easy, necessarily, but simple.

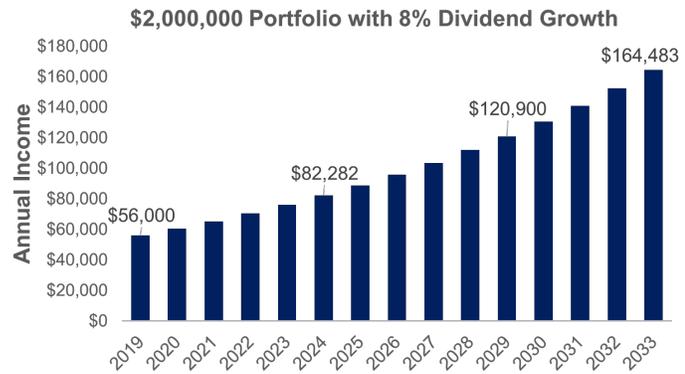


Many bank websites provide customers with a snapshot of debit/credit card charges organized into various categories including food and drink, travel, groceries, utilities, etc. In addition, there are countless apps that you can utilize – the most popular one being [Mint](#), which automatically categorizes transactions from linked cards/accounts and then tracks them against a budget that you can customize to your needs. If neither of these options appeals to you, there are also various excel templates that allow you to track your expenses against your personal budget in order to analyze how much you are spending on a monthly or annual basis. Finally, you could

even simply use a pencil and paper if you prefer; the only thing that matters is that you can see your outflows in front of you.

Once you have a better understanding of your cash outflows, we can help you put together a financial plan to solve for the cash inflow portion of the equation. Our financial advisors and portfolio managers can provide you with a consolidated view of your income sources – including dividend/interest income from your investments, social security, pensions, etc. – and help you analyze whether you are on track to meet your goals. One of the most powerful – and often overlooked – sources of cash flow during retirement can be passive income from dividends. Our philosophy – which focuses on

investing in companies that reward their shareholders with rising dividends – provides our clients with a steady stream of income that can continue to grow your paycheck during your retirement years. As you can see from the nearby chart, investing in a rising dividends strategy can meaningfully grow your income at a rate above inflation – lessening the need to draw down on principal.



We are here to serve as a resource for you and help you optimize your investment allocation to meet your financial goals. If you have any questions about financial planning, budgeting, or how to optimize your investments for retirement, feel free to reach out to us at any time. We are looking forward to continuing to meet with you during the year!