

## Time: Your Best Friend or Worst Enemy When Seeking Financial Freedom

As you are flipping through this amazing magazine, I want you to think of something that you wish you could go back and tell your younger self. I think we all have those, “I wish I would have known then” moments in our lives! Maybe it is to stay, or don’t stay, with a certain romantic partner or take or leave a certain job. Unfortunately, time travel has not come to fruition. No blue police box is going to land outside your door (Dr. Who anyone?) and it is unlikely your new hot tub will portal you back to your younger years (yes, I did watch Hot Tub Time Machine, admit it, you did too!). Until we can lasso time and make it bend to our will, we have to understand the impact it can have on our lives. When it comes to financial planning, time is one of THE most important things to consider. And time is a limited resource. We don’t even know how many years we will have on this Earth, which is what makes it so precious and worth keeping at the forefront of all that we do. There are two major ways that we focus on time in financial planning. Let’s spend some time with each... see, time even becomes relevant when talking about time!

### 1: Using time to your advantage to reach your goals

One of the most common things we hear when we meet with clients to engage in financial planning is that they wish they would have saved more when they were younger. As we have discussed in previous articles, sometimes life comes at you so fast that you just get carried away with the wave. You end up spending more than you are saving and then get pulled into that dangerous cycle where your living expenses have crept up so much that there is very little left at the end of the month to put towards your future. Time can be slippery and go by so fast that you can miss out on opportunities to set yourself on the right track and use time to your advantage.

One of the best ways time can help you is with compound interest. When you save money and earn interest on that money, the next year, you earn interest on the money you saved plus the money you earned. For example, you put \$100 into a retirement account, and it earns 7% interest in one year (compounds annually). At the end of the year, you have \$107. Next year, you earn 7% interest again, but it is on \$107 and at the end of the year you have closer to \$114.50. In fact, that original \$100 could turn into \$2753 if left to grow and compound for 40 years<sup>1</sup>! This may not seem like a large difference, but over time it can really add up, especially if you are systematically saving every month! This is a simplified example, but the key is the earlier you start, the more time can be your friend and the less overall you must save, because compound interest can help boost your long-term savings!

The longer you wait to start saving, the more time starts to work against you. When I started my very first job out of college at Caterpillar, the finance department came and talked to our orientation class. They gave us each a handout that changed the way I viewed money! The sheet was divided into two sides. The left side showed an employee who started putting money into their 401k immediately and continued to put money in for the first 6 years of their career, and then stopped contributing for the rest of their career. The right side of the sheet showed an employee who didn’t put any money into their 401k for the first 6 years, then put the same amount every single year into the 401k from year 7 all the way through their retirement, decades later! Guess who had more money in their 401k at retirement? The person who started saving sooner! Imagine if that person had continued to put in up to retirement how much more they would have had than their co-worker? Compound interest at work! That was eye-opening to 23-year-old Anne for sure! You better believe I started putting into my 401k immediately!

2: Understanding that time is limited and having a good plan helps you enjoy the time that you have

What's one of the only things you can't get back in life? Time! Once it is gone, it is gone! Not having a good financial plan in place so that you at least know where you stand, can lead to enjoying the special moments in life less. Have you ever taken a family vacation and, during the entire trip, worried about all the money you are spending? It keeps you from being able to be present and enjoy the time with your family completely. Having a solid financial plan helps give you the clarity and confidence to enjoy those moments now and not spend the time fretting about the money that is being spent. A client of mine recently rented a cabin in the Ozarks for a family vacation. Normally they would just rent the smallest, cheapest cabin possible because they spend most of their time outdoors anyway, but because they had a financial plan in place and had a better understanding of how their retirement picture looks, they realized they had more cushion to spend more and enjoy life. Instead of that tiny cabin, they rented a large cabin with lots of space and one day when it rained and they couldn't be outside, they ended up playing a super fun game of hide and seek in the cabin with their three teenage daughters! It was a priceless memory that they will always have because they were able to create that atmosphere and be more present to enjoy the moment.

We find the same things occur with retirees. Those who retire without a solid plan consistently waste time worrying about all the things that could go wrong. They are constantly monitoring their account balances, watching the news media for all the doom and gloom and not doing the things that they had hoped to do after working so hard for all those years. Once you retire, there is just no time for worry. You worked SO hard for SO many years, now is your time to enjoy life work-free, and worry-free! Many retirees who have a solid plan in place are out living their best lives ever in retirement. Yes, it's good to stay on top of what is happening with your account through periodic account reviews, but looking at everything on a daily basis isn't healthy. Have a solid plan, and have confidence in that plan, so you can have your biggest decision be whether you want to play pickleball and then go to breakfast, or go to breakfast and then play pickleball!

As you can see, time can be your best friend, or your worst enemy, when it comes to saving, but it is still something that should be appreciated and cherished. Your time on Earth is limited, what is it that is keeping you from enjoying every precious day? If uncertainty about your financial future comes to mind, maybe it is time to seek out a financial advisor who can help bring you the financial confidence you need to enjoy your life to the fullest now!

1. This is a hypothetical scenario and is for illustrative purposes only. It does not represent the performance of any specific investment.

*Do you have a specific question? E-mail me at: [anne.e.schutt@nm.com](mailto:anne.e.schutt@nm.com) and we can include your question in an upcoming article.*

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