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STRATEGY ONE



Set your financial independence goal

Your financial independence goal

Although most people aim for financial independence at retirement, few actually achieve this goal. Instead, they often reach retirement age with only the equity in their homes, a government pension plan, old age security and maybe a small pension benefit from a former job.

The possible outcome is an entire lifetime of work without achieving real financial independence; however, the goal of attaining financial independence can be achieved by investing in well-selected residential real estate.

Most present day fortunes were built and managed through intelligent real estate holdings and discriminating real estate investing.

Famed industrialist, **Thomas Wolf**, expressed it best when he said, "**People don't plan to fail, they fail to plan.**" Planning is the most vital element of most any endeavour; and your financial independence strategy should be no exception, with both short and long-term goals being formulated (six months, one year, five years, ten years and twenty years).

Before you begin to plan your retirement goals, there are several questions you need to ask yourself:

- How much annual income can I comfortably live on today?
- How much will that amount be in 20 to 25 years from now?
- How much capital must I have to support my desired lifestyle?
- How much of a return must I earn on my investments?
- How will I do it?

Let's look at a specific example

Most people can live comfortably on \$60,000 a year in today's dollars; however, in 25 years, assuming an inflation rate of three percent, you'll need to earn or draw down almost \$125,000 per year in order to enjoy the same lifestyle that \$60,000 will produce today.

To generate that kind of income when you retire, you'll need to have accumulated almost \$1.8 million in capital and have it earn seven percent growth per year. Even with government tax deferral plans taken into account, you would have to invest \$1,100 every month at 10.5 percent growth for the next 25 years to accumulate this amount.

Is achieving this goal realistic with the plan you have in place now?

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