NEVADA VIEWS

Not just for a rainy day

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As if Nevada's residents need any more bad news.

First it was the housing crisis. Then skyrocketing unemployment. Now, state budget shortfalls are creating pension deficits that will impact the quality of retirement for thousands of Nevada residents.

According to the most recent report released by the Pew Center on the States, a nonpartisan research and reporting firm, public pensions in Nevada were only 70 percent funded, causing the group to call Nevada's management of its long-term pension liabilities a "serious concern." And a 30 percent shortage isn't pocket change when we consider that the state has a liability of more than $35 billion.

Nevada failed to pay its full pension liabilities from 2005 to 2010, and lawmakers have already approved pension benefit cuts for newly hired employees. If you were hired by the state after 2009, your retirement age raised from 60 to 62, the formula used to calculate your benefits changed and your cost-of-living increases have been limited. But will that be enough to cover the deficit?

This is a time of pension reform across the country. Some states - such as our neighbor state of California - are raising taxes to cover deficits. Its governor recently proposed raising the state income tax to 13.3 percent in order to help cover underfunded pension benefits.

We are fortunate that, as of now, Nevada does not have a state income tax.

To the east of us in Illinois and New Jersey, pension benefits and cost-of-living increases are being cut in order to stabilize their state pension systems. If the local economy doesn't get better soon, Nevada may also have to take these drastic steps.

Despite the changes facing public pension plans, both here in Nevada and throughout the rest of the country, members of the soon-to-retire public aren't doing enough to save for their own retirement, and that could end up to be a very expensive mistake. As a financial advisor, I see Nevadans in my practice every day who are in a difficult spot financially because they have relied on someone else, be it the government or an employer, to fully fund their retirement future. It may have been possible to depend on an employer for a secure retirement in a prior decade, but this post-recession world has many new realities, the most important of which is that you alone are responsible for your own retirement.

This new reality requires a huge change in mind-set, but even more importantly, it requires a change in action.

It's time to take control of your financial future by saving for it yourself. Government spending has left deficits in public pension programs on the federal, state and local levels and in order to become solvent, drastic changes to the programs must be made. These changes could impact your financial security in retirement, so it's imperative that, if you have a public pension, don't put all your eggs in the pension basket and take steps today to save for your future. A 20- or 30-year retirement isn't going to fund itself, and the more you put away now, the better off you'll be during your golden years. Create your own personal pension and give yourself a reliable income source in retirement. In order to do so, I suggest you follow these steps.

1) Commit to saving. In order to build wealth for retirement, a portion of your annual salary should be contributed to a retirement savings plan each year, increasing as you age. Pick a percentage that you can afford to live without today and contribute regularly for your future. Consider putting your savings on auto-pilot. If you don't see the money each month, you may be less likely to miss it.

2) Continue investing. A pension counts on its return on investment in order to build enough assets to fund one's retirement. In order to achieve this in your own personal pension, be sure to invest in a manner that is consistent with your timeline to retirement and risk tolerance. The closer you get to retirement though, the more conservative your investment strategy should be.

3) Structure an income stream. Financial products, such as annuities, can be utilized to produce a monthly income stream in retirement. This income stream can be for a period of time, such as five years, or spread out indefinitely over the duration of retirement, if set up that way.

Pensions in Nevada and beyond can't be counted on to provide a secure retirement anymore. No matter your age, it's important to take responsibility for your financial future and start saving for and investing in your own retirement today. I wouldn't suggest that you leave your retirement future in the government's hands.

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