

# How To Retire With One Million Dollars

by Annie Margarita Yang

Hi everyone,

One of my blog readers, Kelly, encouraged me to start investing my money in an IRA a few months back. I was reluctant because I felt like a complete amateur when it comes to investments. I felt scared of losing my money, as I worked hard to make and save it. I worked four jobs, making an average of \$9.00/hour. We were saving as much as possible for the interstate move, in which our funds weren't even enough in the end. Where could I come up with the money to invest for retirement, and even if I had the funds, how would I know what to invest in?

After our discussion, though, I realized I work too hard NOT to invest my money. Sure, I could lose my money, but I could also grow my money. For those of you who know me personally, you know I work my butt off. If I continue like the way I am now for several years, I will burn out. I cannot work long hours forever. At some point, I will have to retire because my body can't handle it anymore. I want to retire wealthy so that I can live comfortably.

With Kelly's encouragement, I looked at the Roth IRA that I opened with a financial advisor two years ago but stopped contributing to after only half a year. What did this financial advisor invest my money in? I got statements every month but never looked.

I saw my portfolio had less money than it did two years ago. I didn't understand. Why? Kelly told me the market did extremely well last year, so what happened to my money? My advisor invested my money in C-shares that charged 2% in fees every year, on top of the advisor's annual fee. The mutual fund itself didn't have a good return on investment either.

My coworker, Xane, was majoring in Personal Financial Planning for his degree. I asked him what was going on. He said if I lost money in the past two years, during the longest bull market in history, then financial advisor did not have my best interest in mind. He recommended I manage my own investments and to invest in index funds.

I did more research. All you need to know in this article is that index funds are a type of mutual fund constructed to match the components of a market index. One index is the S&P 500, which has had an annualized total return of 9.8% for over 90 years.

I plugged some numbers into a compound interest calculator to see how much I would have in retirement if I made contributions every month.

Let's pretend I have \$1,000 to invest initially, and then I invest \$100 every month for 45 years, with an annual rate of return of 9.8%. Look at the chart. I will have contributed only \$55,000 during my whole

lifetime, but I will have \$877,271.42 in my portfolio.



What if, the same thing, but I contributed \$200/month instead? I'll have contributed \$110,000 but my portfolio would be \$1,687,383.68.



Now, what if I contributed \$300/month? My contributions would be \$163,000 but my portfolio would be \$2,497,495.94.



Looking at the results, I realized it was possible to retire wealthy so long as I invest a modest amount of money consistently. Two million dollars won't have the same purchasing power as it does today, but it is still a hefty sum. I closed my account with the financial advisor and now I have an account with Schwab and do it myself. Keep in mind, I am a NEWBIE at investing and I am doing it just fine. You can do the same.

I haven't considered the effects of inflation in this article because that would make it too long. All I want you to take away from this article today is that if you are in your early 20s, the best time to start investing for retirement is NOW. You CAN retire with \$1m. It is DOABLE. If you start in your 30s, 40s, or 50s, it might not be doable depending on your income and your contributions, because compound interest hasn't had enough time to work its magic yet.

Do you have \$300/month to invest? If you tell me no but you are making a middle-class income, I bet you do.

If you track your spending, you would find areas where you overspend. Your \$200 cell phone bill? It's too expensive. You can cut it down to \$30. Your daily \$3 coffee before work? That's \$60/ month. What about ordering lunch every day for \$10? That's \$200/month right there.

And those are only three easy ways to start saving money starting today!

Please buy my book *1001 Ways to Save Money: Quit Flushing Your Hard-Earned Money Down The Toilet* for more. Definitely worth the \$20 because you will save much more than that.

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