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TO RETIREMENT

Don't panic — no matter your age,
you have options for saving

PHOTO ILLUSTRATION BY RACHEL VAN BLANKENSHIP/THE REPUBLIC

By **Connie Cone Sexton**
The Republic | azcentral.com

Your home value fell flat. That 401(k) nest egg you carefully created is cracking, and the inheritance you hoped to tap? Drained by your parents' medical bills. What's a retirement-bound Baby Boomer supposed to?

C. Angus Schaal, managing director of the Tandem Wealth Advisors' Phoenix office, said the children of the late 1940s, '50s and early '60s are worried about their financial future.

“Many are afraid of retirement and not convinced they will live comfortably” and feel vulnerable, scared, unprepared and fearful of poverty, Schaal said. Their fears are driven by uncertainties of investments, housing prices, Social Security and health costs.

When it comes to protecting themselves, Baby Boomers in general aren't the savers their parents were.

“In the mid-'60s, the national savings rate was 15 to 16 percent of net income,” Schaal said. “Today, it is less than 4 percent of net income, while most developed countries save roughly 10 percent per year.”

The U.S. Department of Labor estimates less than half of Americans have calculated how much they need to save to retire, even though, on average, they will spend at least 20 years in retirement.

More Americans than 10 years ago are concerned they will not have enough money to live comfortably in retirement, according to research by the Washington, D.C.-based Employee Benefit Research Institute. Its 2012 Retirement Confidence Survey shows 24 percent were “not confident,” compared with 19 percent in 2002.

But fear and worry don't seem to have increased a sense of urgency about saving. Although 75 percent of respondents in the research institute's 2009 survey said they were saving for retirement, this year, only 66 percent said they were doing so.

“How do we find the capacity to spend less than we make and save the difference in the U.S. is the real question,” Schaal said. He offers this solution: Ask yourself if the purchase is a want or need. “People are living beyond their means. ... We see many spending far too much on eating out, cars and travel. People work hard, and they feel they deserve things regardless of what they'll need in the future. As a result, many face the threat of a major lifestyle adjustment late in life.”

Schaal said people should determine their discretionary spending per household member and build their living standard around it: “We must clearly say this money is for current spending and this money is for future spending: money to live by and money to grow by.”

Schaal said it's time to get back to paying off a mortgage before retirement.

“I remember this great ‘All in the Family’ episode where Archie and

Edith Bunker throw a mortgage note-burning party to celebrate paying off their mortgage,” he said. “These types of parties were once the norm. The American dream was not only homeownership but paying off the debt that came with it. This goal was lost in the last few decades.”

One of the most important things people can do is to try to knock down their debt, said Darin Shebesta, assistant vice president with Jackson Financial Advisors in Scottsdale.

He advises those in their late 40s to early 50s to increase contributions to retirement plans. Those in their middle to late 50s should come as close to maximizing their contributions as they can.

“Those are peak earning years, and they need to sock away as much as possible,” Shebesta said.

And those in their early to mid-60s should be wary of risky investments.

Like Schaal, Shebesta recommends trying to get rid of debt and re-evaluating expenses.

When working with clients, Shebesta said, he likes to call it a “spending plan” as opposed to a budget because “people like to spend money.” Knowing what they spend money on helps them identify what they need to change or exclude.

“A lot of times, they realize they can't have cake and eat it, too,” Shebesta said. “You need to plan out for 30 years. ... Things don't happen by happenstance.”

Tempe resident Terry Abair understands that advice. He has used that notion to help ensure a viable and vibrant retirement.

The 65-year-old veteran construction executive learned the value of

hard work from his father, a successful life-insurance salesman.

“If he needed money, he'd work harder,” Abair said. “He was very positive and a believer that you're capable of anything.”

That work ethic was driven home the summer before Abair's senior year in high school. He was living away from home, part of a crew picking cantaloupes.

“You'd get up at 4 in the morning, eat in the school cafeteria, and then we'd hit the field about 5:30. After a couple days, I called my dad and said, ‘I think I'm going home. I'm really sick.’ My dad said, ‘Did you sign the contract?’ I said, ‘Yes.’ He said, ‘Tell me what that means.’ I said, ‘It means a commitment.’ He said, ‘If you quit, don't come home.’”

Abair chuckled at the memory. “He taught me that if you want something to set a goal. It's one step at a time.”

Having that sense of patience helped Abair, who is married with two adult children, retire two years ago.

But there were struggles. Investments in the late 1970s and early '80s were rocky. He'd make some money and lose some, tripped by the technology bubble.

“I was trying to hit home runs to the point it almost cost me my marriage,” he said. “I had always managed the money myself, so we decided to become a partnership.”

His dream wasn't to be wealthy but financially independent, so that he could donate his time to various causes.

Awhile back, he started working with the financial planner he still consults with.

TALK WITH A FINANCIAL PLANNER

Have questions about your own financial situation? We've gathered Valley financial planners who will provide answers to readers' calls Monday, Sept. 10. Call 602-258-1212 from 5 to 7 p.m.

5 WAYS TO SAVE FOR RETIREMENT

1. Start saving, keep saving and stick to your goals.
2. Know your retirement needs.
3. Contribute to your employer's retirement-savings plan.
4. Put money into an Individual Retirement Account.
5. Consider diversifying your investments.

Source: U.S. Department of Labor Employee Benefits Security Administration

“I started tracking things closely and learned to ask the right questions,” Abair said. “I’d read and get online. I was convinced that in my lifetime, Social Security would go away or change, so I wanted to make a plan not to depend on it.”

Like Abair, Phoenix resident Chris Ewing, 53, had a difficult time with investments. She trusted an adviser who invested in a fraudulent scheme. Her money was recovered, and she took her time before trusting another financial adviser.

“I should have always paid closer attention to my investments,” said Ewing, who owns Ewing Consulting, which helps organizations with philanthropic projects. “And I wish I had taken the time to educate myself about finances in general years ago. I was always just too busy working.”

Ewing said she grew up knowing to be careful with money: “My father taught me by example that debt was a no-no, a lesson that has served me well.”

But she said it wasn’t until last year, when her mother was diagnosed with Alzheimer’s, that she realized how quickly savings can evaporate.

“We were forced to move her into a home. Talk about a reality check,” she said. “The cost of quality skilled care was a real eye-opener. As was the fact that you don’t make it to the admissions office without full disclosure of every penny.”

Ewing is saving more of her discretionary income than ever before. And she finds her needs are changing.

“As I get older, the ‘stuff’ is less important to me than it once was,” she said. “In the end, it is loved ones that count.”

Reach the reporter at connie.sexton@arizonarepublic.com or 602-444-8894.

BOOMER 101

Today’s story is the second in an eight-part series on issues facing Baby Boomers, whether retirement is two years or two decades away. Find the coming weeks’ installments in *Your Money* and the whole series at boomers.azcentral.com, along with online checklists, resources and videos of our Boomer trio, three Valley residents who share their concerns on each of these topics.

- » **Sept. 9:** The “sandwich generation”: Advice and support resources for Boomers caring for both parents and children.
- » **Monday, Sept. 10: Planning for retirement.**
- » **Sept. 17:** Health screenings to do now to help prevent diseases later.
- » **Sept. 24:** Social Security how-to.
- » **Oct. 1:** Medicare how-to.
- » **Oct. 8:** Housing — deciding when to downsize and when to stay put, and how to adapt your home.
- » **Oct. 15:** Legal documents — what you need and how to set them up.
- » **Oct. 22:** Mind and soul — keeping the mind active and engaged in the world through volunteering, classes and even a career change.

IS \$1 MILLION ENOUGH?

Having a \$1 million retirement portfolio has been a lofty goal for many Americans, Valley financial planners say. But is that even enough? It depends on many factors, such as how long you think you’ll live, how many trips you plan to take a year and whether you enjoy eating out several times a month.

Want a more extravagant lifestyle or think you’ll live an extraordinarily long life? You may want to have \$2 million on tap.

A \$1 million portfolio will give you \$50,000 a year for 20 years, not including your Social Security or pension allocations.

How to get there by age 65 (based on a 7 percent annual return on investments):

- » If you’re 45 and have nothing saved, you would need to save about \$2,000 a month. If you already have a \$500,000 portfolio, you wouldn’t need to save any extra.
- » If you’re 55 and have nothing saved, you would need to save about \$6,000 a month. If you already have a \$500,000 portfolio, you would need to save an extra \$100 a month.

Source: *Darin Shebesta, retirement planner for Jackson Financial Advisors*

RETIREMENT RESOURCES

- » www.usa.gov/Topics/Seniors/Retirement.shtml: Government resources for retirement planning, including several to help estimate retirement expenses.
- » www.dol.gov/ebsa: U.S. Department of Labor Employee Benefits Security Administration. Click on “Retirement Plans” under “Consumer Information” for what you should know about your employer’s retirement plan and more.
- » www.ssa.gov: U.S. Social Security Administration. Find online applications for retirement benefits, online statements and a retirement calculator based on your Social Security earnings record.
- » www.napfa.org: The National Association of Personal Financial Advisors. Under “Helpful Links,” find questions you should ask a financial planner and a guide to financial self-defense.

Find more resources, including a millionaire calculator and a life-insurance-needs calculator, at boomers.azcentral.com.

PLANNING ADVICE BY AGE

No matter how old you are, you have options for retirement planning. Here are a few planning suggestions, depending on your age.

Late 40s to mid-50s

- » Increase contributions to your retirement plan. If you’re contributing 5 percent of your paycheck now, make it 10 percent or more, if possible.
- » Start knocking down debt. Make additional payments on your mortgage, credit cards and student loans.
- » Set up or contribute to a college fund for your children or grandchildren, and talk to them about contributing to it themselves.
- » Make sure you have enough life insurance to cover the cost of rent or a mortgage in addition to the income of Social Security needed to sustain the household.

Mid- to late 50s

- » Maximize contributions to your 401(k) and other saving plans.
- » Do a financial inventory and review your savings allocations.
- » Research and consider paying now for long-term or home care. Nursing homes with semi-private care cost about \$68,000 a year in Arizona; home care is about \$45,000 a year. Try to find a policy that provides at least \$150 a day in benefits.
- » Decide where you want to live and what you want to do after retiring, to see if you’ll have enough money.

Early to mid-60s

- » Pare down your investment risk. For example, if you’ve been investing 60 percent in stocks and 40 percent in bonds, reverse that.
- » Finalize a retirement date.
- » Decide if you’ll work after retirement, whether for extra money or to keep active.
- » Create a plan for distributing your assets. Every year you delay drawing Social Security, your allocation will increase by 8 percent (until you are 70).

Sources: *Darin Shebesta, retirement planner for Jackson Financial Advisors, American Association of Retired Persons and staff research*