FEB 3, 2008

GET WITH THE PLAN

Personal-finance professionals offer readers a financial road map

The situation

Jerry, 42, and Ona, 41, are saving for college educations that are spread pretty far apart. Of Jerry's two children from a previous marriage, he's already paying one tuition, and bills for a second one will start rolling in the fall. The couple also have a 3-year-old, and they want to start saving now. The couple are also concerned about their retirement savings strategies.

Net worth

ASSETS

Checking/savings	$135,700
Money market	$33,305
CDs	$73,357
401(k)	$440,470
Mutual funds	$40,271
Brokerage account	$63,916
Home	$470,000
Property/autos	$23,000
TOTAL ASSETS	$1,280,019

LIABILITIES

Mortgage	$68,969
TOTAL LIABILITIES	$68,969
TOTAL NET WORTH	$1,211,050

Budget

ANNUAL INCOME:

Jerry: $115,000
Ona: $150,000

MONTHLY EXPENSES

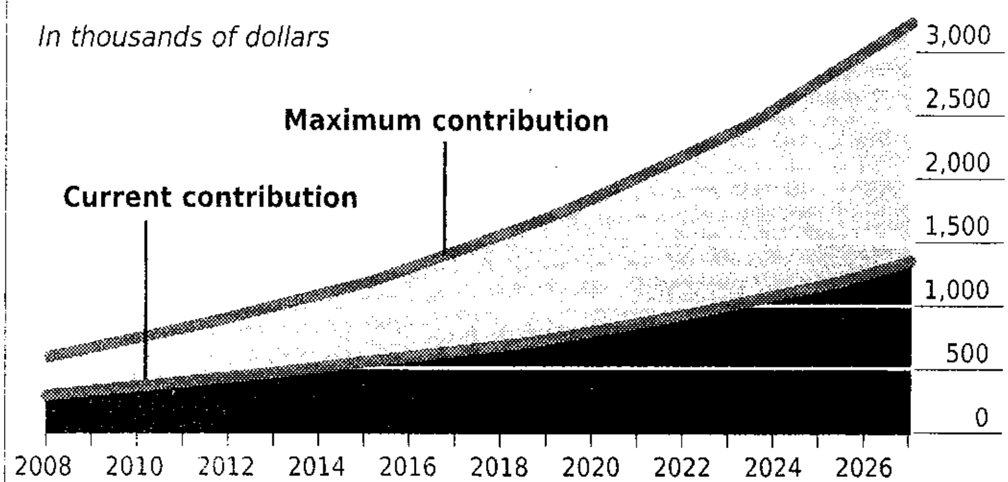
Income taxes	$5,025
Housing/utilities	$2,340
Food	$570
Child support	$750
Day care	$832
Tuition bills	$700
Personal care	$215
Transportation	$235
Medical	$155
Entertainment/vacations	$135
Gifts/charity	$75
Miscellaneous	$50

The way out

The Monmouth County can reach their goals thanks to a combination of their savings, income and lack of debt. They should be able to afford the college educations with a little forward planning, and they can start setting aside more for retirement to make sure their safety net is large enough. Most importantly for today, though, the couple needs a will.

BOOST RETIREMENT SAVINGS

If Jerry and Ona keep saving at their current rate of about $11,000 a year combined, they have a good shot at being comfortable in retirement. But rather than take chances, Doug Duerr recommends they increase their savings. This chart shows how their balances would change if they instead contributed the maximum to their plans each year. It assumes their accounts would grow for 20 more years, until they're in their early 60s, and they receive an average annual rate of return of 7 percent. It does not assume they make $5,000 a year catch-up contributions after age 50 or that they up their contributions when the IRS allows higher savings in the future.)



THE STAR-LEDGER

SOURCE: Doug Duerr, Duerr & Duerr

College costs far apart, but not too much for pair

STAR-LEDGER STAFF

Jerry and Ona, both in their early 40s, are facing the near-term costs of college and the long-term costs of rearing a young child. Jerry has two kids, ages 20 and 17, from a previous marriage, and he's paying for one college education already. Together, the couple have a 3-year-old, and they have higher-education dreams for their little one.

"Our goals are college planning for our 17-year-old and our 3-year old, and then retirement," says Jerry, 43. "Ona will likely work part-time once our 3-year-old is in school in September of 2009."

The Star-Ledger asked Doug Duerr, a certified financial planner and certified public accountant with Duerr & Duerr in Montville, to help Jerry and Ona plan for these pricey future goals.

"Like most couples, they are concerned about saving enough for retirement and funding college education costs," Duerr says. "Yet their situation is more unique, because they have one child they are currently paying tuition for, one who they will start paying for in the fall of 2008, and their last child, who will be attending college in 15 years."

The immediate concern is tuition for their 17-year old this fall. Duerr says from a review of their assets and annual income and expenses, Jerry and Ona should be able to be able to afford this tuition without much of a problem.

Their goal is to provide approximately $25,000 a year for college costs for this child. They are currently paying $750 a month for child support. Once the child reaches age 18 next year, those payments will end, leaving $750 in cash flow available for education. That would account for $9,000 of the $25,000 each year. They can find the additional $16,000 they will need each year from their current earnings and/or investments. Jerry and Ona say they've earmarked two of their mutual funds, worth about $52,000, for college.

uity mutual funds and into more stable investments," Duerr says. "They will need these funds in a relatively short period of time and, as a result, they can not afford any significant decreases in these accounts due to market volatility."

Their youngest child is another story, Duerr says. Jerry and Ona should open a 529 plan, so all of the growth in the account will be tax-free if the funds are used for higher education. To reach their goal of accumulating the equivalent of $25,000 a year in today's dollars, they would have to save $5,600 a year until the child graduates college, assuming an 8 percent rate of return.

Overall, Duerr says the couple should be commended for staying out of debt and paying down their mortgage. They have a 15-year mortgage, which they're paying biweekly.

"This will save them thousands of dollars in interest over the life of the loan and have the loan paid off in approximately 12½ years," he says.

One big issue is Jerry and Ona don't have a will, Duerr says, which is something that needs to be addressed immediately. It's especially critical given they have a young child and nothing in place to state who they would want to care for him should they die prematurely.

For retirement, Jerry and Ona are each saving about $6,000 a year, but Duerr says they should save more if they want to ensure they have enough for retirement.

"It appears they are good savers, so all they need to do is modify how and what they are saving for," he says.

Get With the Plan involves readers anonymously divulging their personal financial information in exchange for free advice from a professional. The feature is designed to illuminate personal-finance concepts and isn't a substitute for actual financial planning or dedicated professional advice. Readers who would like to participate may contact Karin Price Mueller at kmueller@starledger.com.