

GET WITH THE PLAN

Personal-finance professionals offer readers a financial road map

The situation

Mike, 32, and Mary Beth, 34, are trying to live the American dream. They own a home, want to save for college and for retirement, and they want to refine their budget today. They are hoping to make the most of their resources for both short-term and long-term goals.

Net worth

ASSETS

Checking/savings	\$4,700
IRAs	\$14,193
Deferred comp.	\$48,000
Mutual funds	\$10,962
College savings	\$8,838
Home	\$350,000
Personal property	\$7,000
TOTAL ASSETS	\$443,693

LIABILITIES

Mortgage	\$228,000
Credit cards	\$1,600
College loans	\$16,000
TOTAL LIABILITIES	\$245,600
TOTAL NET WORTH	\$198,093

Budget

ANNUAL INCOME:

Mike: \$83,551, plus \$20,000
in overtime
Mary Beth: \$54,000

MONTHLY EXPENSES

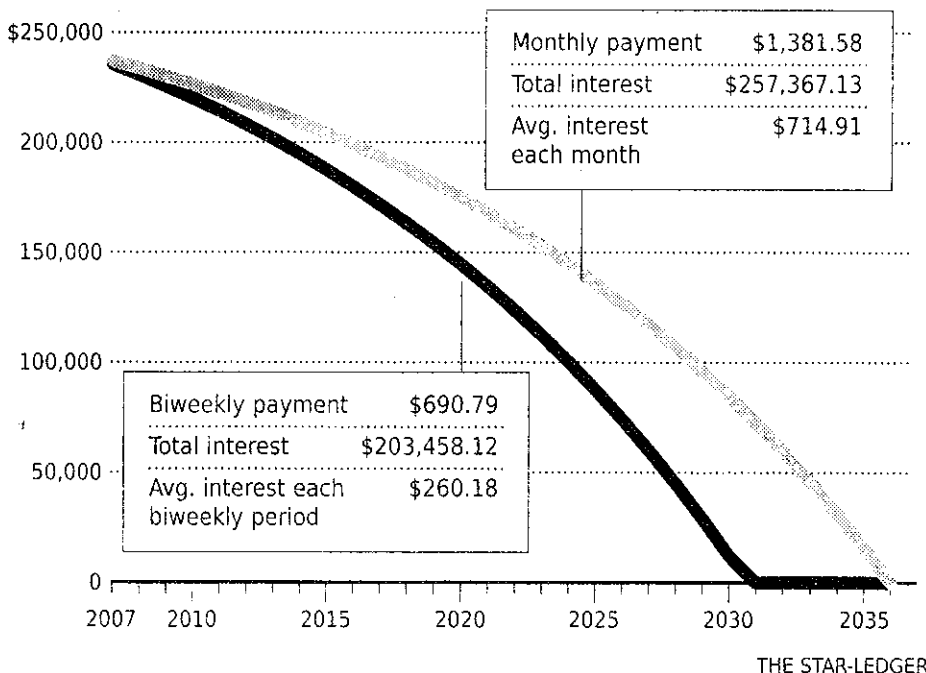
Income taxes	\$2,254
Housing	\$2,010
Utilities	\$463
Food	\$710
Child care	\$1,000
Personal care	\$190
Transportation	\$699
Medical	\$20
Entertainment	\$35
Gifts	\$50
Miscellaneous	\$165

The way out

The Mercer County couple need a closer look at their budget to make sure they are accounting for all their expenses. Retirement planning is in good shape, thanks in large part to their pensions, but they will have to significantly boost their college savings if they want to pay their 3-year-old son's education in full. They would also save lots of money by changing their mortgage to biweekly payments.

MORTGAGE COMPARISON

Mike and Mary Beth could save a significant amount of money on their mortgage by changing their payments from monthly to biweekly. With a biweekly mortgage, they would essentially be making one extra mortgage payment a year, which translates into their mortgage getting paid off five years early, with savings of more than \$46,000 in interest payments over the life of the loan. Here's how the numbers look using BankRate.com's biweekly mortgage payment calculator:



Young couple tackle future's finance demons

BY KARIN PRICE MUELLER
STAR-LEDGER STAFF

Mike and Mary Beth are a young couple with plans shared by many young families. Their long-term goals are to save for retirement and for college for their 3-year-old son. Then, there's the here and now.

"Our short-term or present goals are to still have money available to put away in our savings account after paying bills and putting money away for the future," says Mike, 32. "Also, we want to establish a monthly budget for personal spending."

Mike and Mary Beth have so far saved \$48,000 in Mike's deferred compensation plan, \$14,193 in IRAs, \$10,962 in mutual funds, \$8,388 in a 529 plan for college, \$3,700 in savings and \$1,000 in checking. They both also have pensions. Mike can receive 65 percent of his last year's salary if he has 25 years of service or 70 percent if he has worked 30 years. He's put in 11 years so far. Mary Beth will receive 45 percent of her three highest salary years at age 55 or 50 percent of her three highest grossing years at age 60.

The Star-Ledger asked Doug Duerr, a certified financial planner and certified public accountant with Duerr & Duerr in Montville, to see how the couple can reach their goals.

"These are all attainable goals as long as they continue to save and budget themselves accordingly," he said. "They also have the advantage of having time to both save for retirement and the college tuition."

Mike and Mary Beth have budget

DO IT YOURSELF:

To see how much you could save if you changed your monthly mortgage payment to a biweekly payment schedule, check out the Biweekly Mortgage Payment Calculator at **BankRate.com** (www.bankrate.com).

concerns because there are months when they need to dip into their savings to pay their monthly bills, and Duerr said this is one of the most significant items to address.

Upon first review, Duerr said it appeared they should have a considerable cash surplus of several thousand dollars each month and should never be running into a cash flow shortfall. But upon further review and talking to the couple, they forgot to include certain items and were low in several expense categories.

"This is not uncommon at all," Duerr said. "Most people really have no idea what they spend on their day-to-day living expenses until they actually put them on paper."

Next, retirement savings. Duerr said the couple are fortunate to work for organizations that still have pension plans. Even if they both receive the highest possible pensions, it may not be enough money to live off of in retirement. According to Duerr, the general consensus is you will need 85 percent of current income in retirement. If they receive maximum pension benefits, it will only equal ap-

proximately 63 percent of their pre-retirement earnings. In order to make up for this shortfall, they will need to save more for retirement or work part-time after they leave their primary careers, Duerr said.

For college, the couple are saving \$100 a month in a 529 plan for their 3-year-old.

"Time is on their side to save, but they need to increase their college savings considerably," Duerr said, given the rate of college inflation and skyrocketing tuition costs. The couple would need to save more, or plan to pay just a portion of college costs.

To save a big chunk of money long term, Mike and Mary Beth could consider making mortgage payments biweekly instead of monthly.

"They would be able to pay the mortgage off in 24.9 years rather than 30 and would save over \$46,000 in interest," Duerr said. "By doing this, they will relieve themselves of their mortgage payments five years earlier than they anticipated and can apply that money towards savings for retirement. Once their mortgage has been paid off, they will significantly decrease their monthly expenses."

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.