

GET WITH THE PLAN

Personal-finance professionals offer readers a financial road map

The situation

Donald is a single man with multiple dreams. He wants to save for retirement — which he hopes will be to a home in Mexico — and contribute to college costs for his niece and nephew. He's also interested in leaving some of his assets to charity when he dies.

Net worth

ASSETS

Checking/savings	\$52,693
Money market	\$42,094
IRAs	\$353,558
401(k)	\$451,920
Annuity	\$2,896
Mutual funds	\$184,403
Home	\$550,000
Vacation home	\$310,000
Personal property	\$15,000
Autos	\$29,500
TOTAL ASSETS	\$1,992,064

LIABILITIES

Mortgages	\$381,500
Car loans	\$28,500
TOTAL LIABILITIES	\$410,000

TOTAL NET WORTH \$1,582,064

Budget

ANNUAL INCOME: \$165,000

MONTHLY EXPENSES

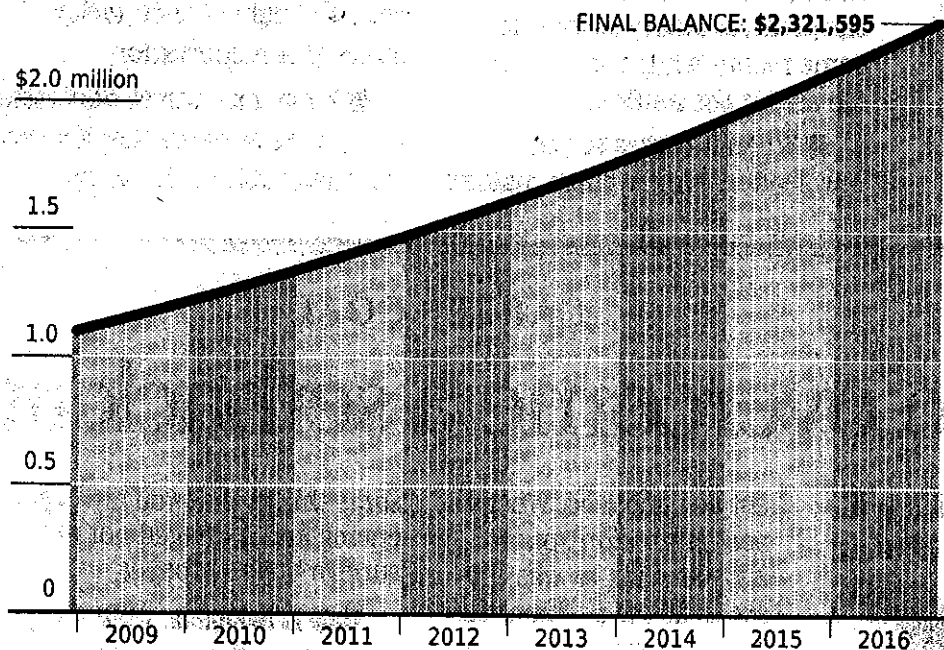
Income taxes	\$2,241
Housing	\$4,791
Utilities	\$476
Food	\$700
Tuition	\$2,050
Personal care	\$225
Transportation	\$1,225
Medical	\$110
Entertainment/vacations	\$550
Pet care	\$200
Gifts/charity	\$100

The way out

The Mercer County man is a great saver, and he has to keep socking it away to afford the retirement he wants. To reach that goal, his portfolio could use an overhaul, as he has about 50 mutual funds across all his accounts. It's also time for a new will and to open 529 plans for his niece and nephew.

RETIREMENT SAVINGS

It's essential for Donald to save as much as possible for retirement. Certified financial planner Douglas Duerr suggests he save \$21,500 a year in his employer-sponsored account: \$16,500 of regular contributions and \$5,000 for catch-up contributions. At an average annual rate of return of 8 percent, Donald should be able to build the kind of portfolio he will need for retirement. Here's a look at how those assets would grow.



THE STAR-LEDGER

SOURCE: Douglas Duerr, certified financial planner

Some things for man to do before living his dream

BY KARIN PRICE MUELLER
STAR-LEDGER STAFF

At age 48, Donald is planning for his retirement, along with a number of other big-ticket goals.

"My goals, in order of priority, are retirement, a vacation home in Mexico, partial college support for my nephew and niece and possibly leaving some of my estate for charity donations," Donald says.

The single man plans to sell his vacation home, hoping the funds will help his overall financial plans. He's saved \$451,920 in employer-sponsored plans, \$353,558 in IRAs, \$2,896 in an annuity, \$184,403 in mutual funds, \$42,094 in money markets, \$42,187 in savings and \$10,506 in checking.

The Star-Ledger asked Douglas Duerr, a certified financial planner and certified public accountant with Duerr & Duerr in Montville, to help Donald see if he can reach his many goals.

"Donald has done a great job saving for retirement but in these uncertain times he is concerned about his investments," Duerr says. "He is also concerned that he may need to work longer than he planned to achieve some additional goals he would like to achieve prior to retiring in a vacation home in Mexico."

Donald needs to continue to save the maximum amounts possible for retirement. If he saves the maximum amount allowed each year in his employer-sponsored plan — for 2009, that's \$21,500, with \$16,500 of regular contributions and a \$5,000 catch-up — he'd have an ending balance of more than \$2.5 million based on an 8 percent rate of return, Duerr says.

"Even though the stock market has been performing horrible for the last year or so, Donald is looking to invest for the next eight to 10 years," he says. "Given that time horizon and his higher tolerance for risk, he should be able to achieve an 8 percent rate of return."

Donald has 11 various brokerage accounts, retirement plans and deferred compensation plans. Within all of these plans, he has about 50 different mutual fund holdings, Duerr says.

With all of these different mutual fund holdings, a complex analysis needs to be conducted to look at diversification and investment overlap. Duerr says Donald has little allocation to small-cap funds, a high concentration of large cap and a large amount of international funds.

"This portfolio is most likely much more aggressive than it should be, given how close to retirement he is," Duerr says.

Also, for ease of self-tracking and monitoring of the portfolio, Duerr says Donald should consolidate some of these accounts. For example, Donald has several IRAs — three at the same fund company — and they could easily be consolidated into one account.

Donald has been saving to help pay for college for his niece and nephew, and it's time he opened 529 accounts for them, Duerr says. The 529 accounts would help Donald take advantage of not having to pay taxes on the growth of these accounts — the funds are currently in savings accounts — as long as the proceeds are used for higher education.

To plan for the dream retirement home in Mexico, Donald needs to do some cost research. Duerr says this should be a feasible goal as long as Donald sells his current home and buys a much smaller one locally, as is his plan.

He also needs to have a new will drafted. Donald has two dogs that are living with an ex-partner, and Donald wants to make sure the animals are cared for should he die before them. A new will, along with some properly established trusts, will allow him to provide for the charities of his choice and for his niece and nephew.

Readers who would like to participate may contact Karin Price Mueller at kmueller@starledger.com.