

GET WITH THE PLAN

Personal-finance professionals offer readers a financial road map

The situation

Retirement is so close for Luke, 61, and Jackie, 60, that they can taste it. They're hoping Luke can afford to stop working in a few years, and he can join Jackie, who doesn't work outside the home, for some worry-free golden years. Oh, yeah — Luke also wants to play more golf.

Net worth

ASSETS

Checking	\$980
Savings	\$7,179
IRAs	\$69,837
401(k)	\$498,064
Brokerage account	\$154,624
Home	\$600,000
Personal property	\$114,000
Autos	\$40,000
TOTAL ASSETS	\$1,484,684

LIABILITIES

Home-equity loan	\$6,900
Car loans	\$35,966
TOTAL LIABILITIES	\$42,866

TOTAL NET WORTH \$1,441,818

Budget

ANNUAL INCOME:

Luke: \$118,000
Jackie: \$15,000

MONTHLY EXPENSES

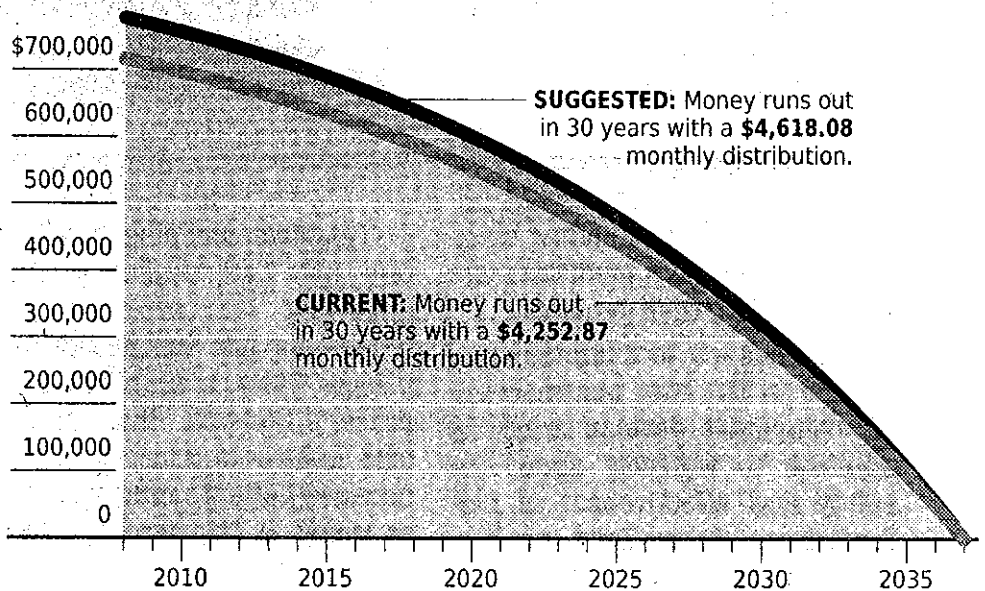
Income taxes	\$2,314
Housing	\$1,085
Utilities	\$635
Food	\$870
Personal care	\$200
Transportation	\$1,301
Medical	\$264
Entertainment	\$40
Vacations	\$500
Gifts	\$100
Charity	\$50

The way out

The Middlesex County couple have to take a better look at their expenses, as there's some unaccounted for funds in their budget. After re-examining their spending, they need to find a way to max out Luke's 401(k) plan and an IRA for Jackie each year. Finally, they should try to eliminate their debt as soon as possible, then make sure not to take on any new debt.

RETIREMENT SAVINGS

Certified financial planner and certified public accountant Doug Duerr says Luke and Jackie should ramp up their retirement savings for the home stretch. If Luke maxes out his 401(k) for four more years, and Jackie funds an IRA, they will have more available for retirement income. Currently at retirement, they would have \$725,000, but if they increase savings, they will have \$787,000. Based on 6 percent growth a year, that means they will up their monthly retirement take to \$4,618, from the current \$4,253, for 30 years, or a total of \$131,400 more.



THE STAR-LEDGER

SOURCE: Doug Duerr, CFP and CPA

A short-term sacrifice for a long-term gain

BY KARIN PRICE MUELLER
STAR-LEDGER STAFF

Luke, 61, and Jackie, 60, are a few short years from retirement. They have raised five children, and now that the college bills are coming to an end, they are hoping they can afford the retirement they have dreamed about.

"We would like to travel around the country and visit the major European capitals," says Luke. "I would like to work part time and my wife wants to stay close to home and near our granddaughters."

And, time permitting, Luke wants to play more golf.

The couple, whose names have been changed, have saved \$498,064 in a 401(k) plan, \$69,837 in IRAs, \$154,624 in a brokerage account, \$7,179 in savings and \$980 in checking. Luke also is expecting a pension worth \$33,492 a year.

The Star-Ledger asked Douglas Duerr, a certified financial planner and certified public accountant/personal financial specialist with Duerr & Duerr in Montville, to help the couple prepare for retirement.

"They have amassed a good base of assets toward retirement and Luke will receive a small pension," says Duerr. "When adding these items, plus Social Security, they will have a decent annual income to live off."

But, Duerr says, there are certain things the couple can do to help them enjoy a better retirement.

First, the couple need to take a close look at their current expenses. Based on the budget they supplied,

they should have a considerable amount of funds available for savings, Duerr says. But this is not the case.

"They need to look at their spending habits and determine where they are currently spending more money than they are accounting for," he says. "At that point, they need to determine where they may be able to cut back on or modify their spending."

The couple isn't maxing out their retirement plans. Duerr says they need to try and put in the maximum amounts possible in their retirement plans to have a better retirement base to live off.

Luke needs to put the maximum of \$15,500 and the \$5,000 catch-up contribution into his 401(k), compared with the \$14,500 he's currently saving.

Jackie, on the other hand, doesn't contribute to any retirement plan. Her employer doesn't offer a plan, but she should open an IRA and contribute the maximum amount to this account each year.

"In order for them to do this, they will need to cut back on certain items, but it will have a big impact for them in retirement," Duerr says.

Upon taking into account their Social Security payments, expected to be \$2,230 at age 62, Luke's Rich's pension of \$2,791 and IRA distributions of approximately \$24,000 a year, they will have a total retirement income of \$85,000, Duerr says. As part of his calculation, he assumed a 4 percent distribution from retirement plans, as this percentage will allow

the assets to grow so they won't run out of money during their lifetimes.

After taxes, they'll have about \$68,000 a year for retirement — approximately 70 percent of their current after-tax income.

"Most individuals need at least 80 percent of their current after-tax income to live their current lifestyle," Duerr says. "The couple will have to use some of their other investments to supplement their retirement payments in order to be able to maintain their current lifestyle."

Another option would be for them to work part time in order to supplement their retirement assets, he says.

The couple doesn't have much debt, and the home-equity loan and car loans will be paid off within five years. This will give the couple an additional \$1,100 of disposable income each month.

"With some increases to their retirement plans, review of their current spending, and paying down of their debt, they will have a much better chance to achieve their goals and enjoy a good lifestyle in retirement," Duerr says. "It's a short-term sacrifice for a long-term solution."

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 kmuller@starledger.com.