GET WITH THE PLAN

Personal-finance professionals offer readers a financial road map

The situation

Violet's divorce is almost final, and the 55-year-old woman wants to turn her attention to retirement. She doesn't have a lot of savings, but she will have a pension coming to her when she stops working. She is also very concerned about debt.

Net worth

ASSETS

Savings	$15,000
CDs	$7,000
IRAs	$20,000
Mutual funds	$24,000
Home	$370,000
Personal property	$15,000
Autos	$7,000
TOTAL ASSETS	$458,000

LIABILITIES

Mortgage	$100,000
Car loans	$7,000
TOTAL LIABILITIES	$107,000
TOTAL NET WORTH	$351,000

Budget

ANNUAL INCOME:

Full-time job: $37,000

Part-time job: $5,000

MONTHLY EXPENSES

Income taxes	$463
Housing	$1,387
Utilities	$470
Food	$410
Personal care	$80
Transportation	$264
Medical	$220
Entertainment	$20
Pet care	$30
Gifts	$50

The way out

The Essex County woman should consider consolidating her current mortgage and her car loan by refinancing, which would give her lower monthly payments and the ability to free up cash. She also should consider working as long as she can to enable her to get higher benefits from Social Security and her pension.

DELAYING RETIREMENT

Violet, 55, would like to retire when she's 62. But leaving work at that time would mean a substantially smaller pension and reduced Social Security benefits. If she instead delays retirement until age 65, she'll increase her overall income nearly 50 percent. Here's a look at how her income sources would increase if Violet works just three years longer.

AGE	PENSION	SOCIAL SECURITY	TOTAL
62	$418	$881	$1,299
65	$656	$1,283	$1,939
Dollar increase if she waits until age 65	$238	$402	$640
Percent increase if she waits until age 65	56.9%	45.6%	49.3%

THE STAR-LEDGER

SOURCE: Douglas Duerr, CFP and CPA/PFS

Some advice for Violet, so her finances can bloom

BY KARIN PRICE MUELLER
STAR-LEDGER STAFF

Violet is trying to get on more solid financial footing. The 55-year-old Essex County woman has been separated from her husband for eight years, and her divorce should be final in two months. Her soon-to-be-ex has no assets, so financially, she's on her own.

"I own my home myself, and I am the only one on the deed and mortgage," she says. "He transferred his share to me six years ago in lieu of his profit-sharing."

Violet, whose name has been changed, has set aside $20,000 in IRAs, $24,000 in mutual funds, $7,000 in CDs and $15,000 in savings. She also will be eligible for a pension when she retires, the monetary value of which will change depending on her retirement age.

The Star-Ledger asked Douglas Duerr, a certified financial planner, certified public accountant and personal financial specialist with Duerr & Duerr in Montville, to help Violet make the most of her resources so she can have a financially stable retirement.

"She is trying to plan for retirement while managing her current day-to-day living expenses," Duerr says. "She is doing the best she can with the resources that she has."

Duerr says there are several items that need to be modified as soon as possible in order for her to retire in a reasonable amount of time.

Violet would like to retire in seven years at age 62, but Duerr says this is not really feasible. She would be much better off to work until age 65. Here's why:

Violet is eligible to receive a pension from her employer. Whether she works until age 62 or even 65, she will not be eligible for a full pension, because she will not have worked enough years at this employer. At age 62, considered early retirement by this employer, she'd receive $418 a month. If she waited until age 65, she would be eligible to receive $656 a month. Social Security will be another source of retirement money. At age 62, she'd receive $881 a month, but if she waits until age 65, it would increase to $1,283.

"It is certainly in her best interest to work until age 65 since she would receive an additional $640 per month," Duerr says. "This is a significant increase and will certainly improve her quality of life in retirement."

Even if Violet does work until age 65, Duerr says she may still need to consider working part time to supplement her pension and Social Security income.

Violet has great concerns about debt. She recently paid off $3,500 in credit card debt from her savings, and she will need a new car in a few years — even though she still has time on her current car loan. She may find the extra cash she needs by refinancing her mortgage, Duerr says.

Violet has a 25-year mortgage at a 6 percent interest rate, with a monthly payment, including real estate taxes of $1,337. The car loan has about $7,000 remaining. Given the balances left on these two loans, Duerr says she should think about consolidating.

Duerr says Violet could probably get a traditional mortgage from several New Jersey banks that offer a lower interest rate to people who earn a moderate income. For example, Duerr found one offering a traditional 30-year mortgage at a rate of 5.75 percent, a quarter-point less than the current mortgage.

This move would lower her mortgage payment and free up additional money that she could set aside for a down payment on a new car.

Violet doesn't have many investments, and while she needs to keep some funds on hand for an emergency, Duerr says she needs to consider investing some of this cash in other investments for greater growth.

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.