

# GET WITH THE PLAN

Personal-finance professionals offer readers a financial road map

## The situation

Jim, 52, and Lynn, 53, have made it over the hurdle of paying for college for two kids. They now want to see if they are on track for retirement at age 60. They also would like to plan for the construction of their dream home on lakefront property they already own.

### Net worth

#### ASSETS

Checking	\$500
IRAs/401(k)	\$464,000
Pensions	\$120,000
Stock options	\$46,000
Mutual funds	\$25,000
Brokerage account	\$33,000
Homes	\$1,100,000
Lakefront property	\$180,000
Property/autos	\$165,000
<b>TOTAL ASSETS</b>	<b>\$2,133,500</b>

#### LIABILITIES

Mortgage	\$120,000
Home-equity loan	\$83,000
Home-equity line	\$150,000
<b>TOTAL LIABILITIES</b>	<b>\$353,000</b>

**TOTAL NET WORTH** \$1,780,500

### Budget

#### ANNUAL INCOME:

Jim: \$222,000; Lynn: \$13,000

#### MONTHLY EXPENSES

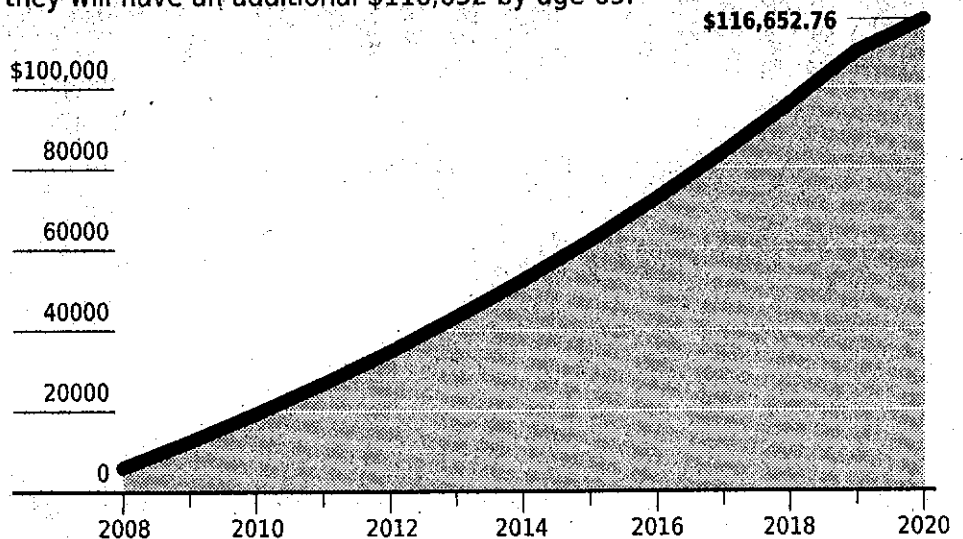
Income taxes	\$3,500
Housing	\$4,350
Utilities	\$735
Food	\$800
Personal care	\$350
Transportation	\$700
Medical	\$800
Flexible spending acct.	\$230
Entertainment/vacations	\$450
Gifts/charity	\$230
Miscellaneous	\$380

## The way out

The Hunterdon County couple can use the proceeds from an inherited home to pay down their home loans, which were used to pay for much of college. They should continue to save as much as possible for retirement, and they need to reallocate their savings to diversify and better reflect their risk tolerance. Before they start to build their new home, they also need to make sure they have planned well, so no money surprises could hurt their retirement future.

### BOOST RETIREMENT SAVINGS

While Jim has been fully funding his 401(k) plan, Lynn hasn't had the luxury of an employer-sponsored retirement plan. To increase the couple's savings, certified financial planner and certified public accountant/personal financial specialist Doug Duerr suggests they open an Individual Retirement Account for Lynn. They could set aside \$5,000 a year, plus a \$1,000 catch-up contribution for those over age 50, for a total investment of \$6,000 a year. If they earn an average of 7 percent on the account, they will have an additional \$116,652 by age 65.



THE STAR-LEDGER

SOURCE: Doug Duerr, CFP and CPA/PFS

# Couple's focus shifts from college to retiring

BY KARIN PRICE MUELLER  
STAR-LEDGER STAFF

Jim and Lynn have done what many parents hope to do: They've found a way to pay for their two kids' college educations. They used savings and loans against their home for the tuition, and now they have just one year of college bills to pay for their younger child. Now, they're turning their attention to their future together.

"Paying off the home-equity line of credit is our primary goal. This will improve our monthly cash flow and allow us to increase our retirement savings," says Jim, 52, who would like to stop full-time work at age 60.

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

"Jim and Lynn have worked hard to maintain their lifestyle for themselves and their two children," he says. "They have paid 100 percent for their son's education and have one year left for their daughter. They now need to focus more on themselves and saving for their retirement."

Duerr says he normally wouldn't recommend taking out loans against a home to pay for college, but the couple are fortunate in that they'll be able to pay off those loans once their inherited home is sold. That will take a load off their budget.

The couple are on the right path for retirement savings, Duerr says, but they need to do more. Jim is making the maximum annual 401(k) contribution of \$15,500, plus the catch up contribution of \$5,000. If he continues until age 60, he would have about \$860,000 in the account, assuming a 7 percent return, Duerr says. If he stays at work and continues saving until age 65, Duerr says the assets could grow to more than \$1.3 million, assuming a 7 percent rate of return.

Duerr suggests Jim also take the lump sum option from his cash balance plan and roll it into an IRA as soon as possible.

"By doing this, he can be responsible for investing the assets and should be able to obtain a better rate of return," Duerr says.

Lynn doesn't have a retirement plan. Duerr says they should open an IRA for her, saving the max \$5,000, plus the \$1,000 catch-up contribution. If they start immediately, she'd have more than \$50,000 by age 60, or more than \$116,000 by age 65, assuming a 7 percent rate of return.

Next, the couple should work on their asset allocation. They say they're moderate to aggressive investors, but they hold very little small- and mid-cap stocks. Duerr suggests reallocating to include these asset classes, as well as some fixed income.

"They do consider themselves to be more aggressive investors, but they need to have some money in bonds," he says. "As they get close to retirement, they need to continue to modify their investments away from equities and more toward fixed income."

A big "be careful" for the couple's plan is a huge project they're planning for the near future. They would like to build a home on their lakefront property, where they plan to spend a lot of time once they retire. They expect building costs to be between \$550,000 and \$650,000 in the next three to five years. They also plan to downsize their current home and move to a townhouse or smaller home. Duerr says they should downsize first and build later.

"By doing this, they should have very little to no debt for their primary residence and still may be able to put down a large payment toward the construction of their new home," he says.

*Readers who would like to participate may contact Karin Price Mueller at [kmueller@starledger.com](mailto:kmueller@starledger.com).*