



Plan Now For A Comfortable Retirement

By: Michael Collie, CFP®, CFPN Certified™, CMFC

Saving for retirement isn't what it used to be. The metaphor of retirement as a three-legged stool-supported by a pension, savings and Social Security-may no longer be adequate for lifelong financial stability. Like everything else in our increasingly complex economy, preparing for retirement is, well, complex.

The reasons are varied. For one thing, Americans are, on average, living a full decade more than their grandparents. For another, traditional pension programs have given way to defined contribution plans, such as 401(k) plans, that are controlled by individual employees and do not guarantee a return. What's more, many feel Social Security is no longer a sure thing.

To make sure your retirement plans are adequate:

- Determine how much you will need to live comfortably after retiring. One helpful tool is the CNN/Money retirement calculator, at <http://cgi.money.cnn.com/tools/retirementplanner/retirementplanner.jsp>. Another is the Savings Tools at the American Savings Education Council's Web site (www.asec.org).
- Know how much you must save every year to reach your goal. The earlier you begin saving for retirement, the better. For example, \$100 a month invested in an account that yields six percent interest compounded monthly will increase to \$100,451.50 in 30 years. Because interest rates and investment return vary over time in many types of accounts, it's wise to diversify. To estimate the amount you'll earn in a fixed-rate, compound interest investment, consult the National Endowment for Financial Education Web site: www.nefe.org/pages/search.html and type in "compound interest."
- Stay on top of your finances. According to the 2002 Retirement Confidence Survey (RCS), only about a third of Americans consider themselves on track in planning and saving for retirement. Monitor all savings and investments, both in your private accounts and your business (e.g., 401(k), pension) accounts. If you are 25 or over, you get an annual statement from the government, listing the amount you can expect from Social Security at retirement, based on your current level of contribution; include that in your calculations. Total all gains. If the numbers are disappointing, consider adjusting your approach. Bear in mind that, given the sometimes-volatile nature of the American economy, some years are likely to be more lucrative than others.
- Consider long-term needs. Not only must savings stretch to cover many years, they must be substantial enough to help pay the costs of medical care not currently covered by Medicare or standard supplemental policies. Long-term care insurance is a relatively new option that may provide some relief. Your financial adviser can suggest alternatives.
- Don't leave your future to chance. The national savings rate is extremely low, having dropped to about one percent in the early years of this century. The 2002 Retirement Confidence Survey shows nearly three-fourths of us expect to work for pay after we retire, whether for pleasure or necessary income. To ensure that you have a choice, put aside as much money as possible as soon as possible. Make sure you account for the impact of taxes and inflation. The younger you are when you start contributing, the more you will accumulate.

Remember: inadequate savings now can lead to financial crisis later in life. You may want to consider help from a financial planner. Visit the Certified Financial Planner Board of Standards at www.CFP.net for comprehensive financial planning information including such topics as "Choosing a Financial Planner," "Debt Management" and "Financial Terminology."



Michael Collie is a Certified Financial Planner™ and president of Collie Financial Planning, Inc. (www.colliefp.com), a Fee-Only financial planning and investment advisory firm located at One Town Square Blvd, Suite 346, in Asheville. He can be reached at mcollie@colliefp.com or (828)654-8830. Collie is a member of the Christian Financial Professionals Network and the Financial Planning Association. A portion of the information from this article was excerpted from the CFP Board's website, www.CFP.net. Founded in 1985, the CFP Board is a nonprofit certifying organization that owns the CFP certification marks and benefits the public by fostering professional standards in personal financial planning.