Pam Krueger: Let me turn it over now to Jonathan Pond, who you probably know because he’s the author of *You Can Do It! The Boomer’s Guide to a Great Retirement* and host of 16 prime time public television specials on financial planning, and we’re going to talk now about that process - that planning process.

   Hi, Jonathan.

Jonathan Pond: Hi, Pam, and thank you for that introduction. After hearing that, I can’t wait to hear what I have to say so let’s push on here and let’s see.

   I am trying to advance a slide.

Pam Krueger: No one said this was easy.

Jonathan Pond: No, that’s correct.

   Let’s see. I’m still not having any success here.

Pam Krueger: Maybe Tricia can jump in and help.

Jonathan Pond: Yes.

Tricia Dwyer-Morgan: Sir, you have to hit directly on the big blue arrow. There’s like a little…

Jonathan Pond: Oh.
Well my section - I’m going to talk about two things--retirement and preparing for the unexpected.

But the fact is everything we do in our financial life during our working years--and to a certain extent our health too - taking care of our health--is designed for one purpose, and that is to be able to retire comfortably.

So planning for a financially comfortable retirement is something which I think Jerry, and Diana, as well as Pam, have mentioned. It is a challenge. There are a variety of challenges.

One, we’re living a long time and, as my wife is wont to say, she’s going to live a lot longer than I am, although she says now with three kids that - three daughters - it may not be that long that she’s going to live, but longevity is something that our grandparents didn’t experience.

As a matter of fact, retirement was invented way back at the beginning of the 20th century in Europe when so few people made it to 65 they decided they would allow the few that did to retire so they could rest up a couple of months before they died.

Well, the fact is right now people retire at 65, and there are some statistics that are coming out which indicate a married couple both 65, the last to die life
expectancy -- in other words, the surviving spouse-- has a life expectancy of 27 years. So you have to plan certainly financially for a long life.

Second thing is inflation. As Jerry so aptly pointed out, your cost of living once you retire is likely to double and may triple during the course of your retirement.

Also, another challenge is that companies are cutting back. Certainly we hear… we hear stories every day about major corporations cutting back. I think we’re soon going to see governments cutting back on their defined benefit pension plans and substituting them with 401Ks and other defined contribution plans.

We have to take that into consideration because the ball is in our court now as never before.

And finally, another challenge certainly is that most of us have very ambitious retirement aspirations, not like our grandparents, who expected to cut back. We’d certainly like to retire with no diminution in our life style, and that’s a challenge, but I think these challenges can be overcome.

No matter where you stand, many of you have at least 10 years until retirement. Some of you have 20 and 30 years, and it can work, and it should work. And part of my role here is to encourage you - all of us are trying to encourage you, if not goad you-- into taking action.

Now the… also, you need to prepare a projection no matter how near or far you are from retirement. It’s an important decision as to what you need - what you’re going to need-- when you retire--and I’ll get into that in a moment -- versus how much it’s going to… how much you’re going to have to put away for retirement.
You don’t want to do as Henny Youngman once said. He said, “I’ll have all the money I’ll ever need if I die by 4:00 o’clock.” That’s not retirement planning.

But Jerry mentioned earlier about expenses, and one thing you’re going to need to do when you run your projections is to figure out how much it’s going to cost you when you retire.

And there is an increasing body of research now that is suggesting that it may not cost you 80, or 90, or 110% of your pre-retirement income to retire comfortably, but it all depends. It’s a lifestyle decision, as David Bach mentioned in the taped piece.

How much is your retirement budget going to be reduced, as I indicate on this slide, and how much are you going to need to increase it, perhaps for travel and certainly for health care?

Okay. Now, the other thing--the important thing--is to run a retirement projection to find out where you stand. There are any number of really good websites.

There’s one - a Ballpark E$timate that is provided by the Employee Benefits Research Institute. I believe it’s EBRI.org. [Editor’s note: The Ballpark E$timate can be found online at http://www.choosetosave.org/ballpark/.] AnalyzeNow.com has a wonderful website – a very robust website—where you can project your retirement income and expenses.

AARP has a very good website. The mutual fund companies – T. Rowe Price, Fidelity. There are any number of them, but the important thing is don’t shy away from doing this. [Editor’s note: For a list of links to a variety of
calculators on retirement, Roth IRAs, Social Security, savings, retiree health, budgeting, etc, visit http://www.choosetosave.org/calculators/.

Sometimes people say, “You know. My situation is hopeless.” No one’s situation is hopeless, but you need to find out where you stand so you can take the action to cut the difference between what you’ve got now and what you’re going to need.

Now there are some assumptions you have to make in the… when you prepare these projections, and permit me, if I may, to impose them on you, because you can fiddle around with your assumptions and make anything work, but I think it’s very reasonable for you to expect to live until 95, if not further.

I would suggest any of you who are 40 or younger -- those of you who have very tender years compared with most of us--you might want to use 100. The inflation rate I would use is 3% and the annual investment returns, 6%.

Now inflation may be lower. That’s good, but it may be higher. I think 3% is a good number. Annual investment returns -- people have been making better than 6% recently if you diversify, but that doesn’t happen every year. So I think 6% is a reasonable assumption. Hopefully, you’ll beat that.

By the way, you’ll never make that kind of money putting your investments in scaredy-cat type investments like savings accounts or CDs or treasury bills or things like that. You’ll just never make those kinds of returns. So you need to make sure that you make reasonable assumptions.

Now let me just quickly go through a late-starter checklist here. If you think you’re a late starter--most of us do--find out where you stand, as I suggested. If you need to, put yourself on a budget to increase savings.
Most of us don’t like to face up to the fact that we can live beneath our means. Consider ways to increase income. If this is a situation that you’re particularly concerned about—an inability to save—maybe you can find ways to increase your income, perhaps by a part-time job or whatever, but—and certainly, investing in your career—your best investment bar none—is one way to increase your income later on.

You might want to consider delaying retirement or relocating. In my book, *The Boomer’s Guide to a Great Retirement*, I show the impact. We had a person—a hypothetical person, Betty—who delayed retirement from 62 to 68—six years.

Her retirement income increased by almost 85% just by delaying retirement. But most importantly, don’t become discouraged. By all means don’t become discouraged.

Now you’ve got to save for retirement. Most of you are, and that’s wonderful. The vast majority of you are. Where are the best places to put money away for retirement?

Well first, any plan with an employer match. Anybody who doesn’t participate where there’s an employer match is really one sandwich short of a picnic. You have to do that, certainly.

Next best is any pre-tax or tax-deductible plan—a 401K plan, a 403B plan, perhaps a tax-deductible IRA. And finally, still worthwhile is a non-deductible plan, especially a Roth IRA.

[With a Roth IRA], even though you don’t get a tax deduction putting the money in, it grows tax deferred. Another thing about putting money away for
retirement, the government is not naïve in these things. They make it a little tough to get the money out early, which for many of us saves us from temptation.

Now I’d like to move on now to preparing for the unexpected.

Couple of points here – the… I mentioned your career. You know, the more you invest in your career the more you progress -- perhaps taking extra education, doing your professional reading, finding a mentor -- the better off you’ll be in the future.

Not only will you make more money, but you… you know, if you should lose your job--which is becoming more and more common--the better skills you have, the better able you’ll be to do better and find another job.

Next thing, the unexpected would be something like a layoff or a disability, where you need insurance, and that begs the issue of an emergency fund.

Now sometimes it really helps to have money put away for an emergency, but I would ignore my parent’s advice--and maybe your parent’s advice--when they said, “You know, the first thing you do when you get your first job is to put 6-months’ worth of income into a savings account,” which earns nothing.

Now that’s lousy advice. Actually, putting money into a retirement plan, if you really have an emergency you can take the money out. So I would rather you put money into a retirement plan rather than building up a big emergency savings account.

By the way, I don’t want to… I don’t mean to denigrate your parents. They once gave you some wonderful advice. Probably when you were an
adolescent they might have said something to the effect of, “Now for one moment’s pleasure you could end up paying for the rest of your life.”

Now you may not have thought about it at the time, but what they were talking about were credit card loans.

And finally, the main thing -- the main unexpected thing--you need to be concerned about is insurance, and I will conclude with that.

Make sure you get the right kind of insurance at the right price. First, eliminate gaps. Think about it. You could have an uninsured loss because you don’t have renter’s insurance coverage.

Maybe you don’t have a proper disability insurance policy or perhaps you don’t have enough liability insurance - an umbrella liability. One gap can wipe out years, if not decades, worth of earnings.

So make sure you have umbrella liability insurance and replacement cost coverage.

And finally, lower premium costs. Most of us are underinsured in some areas, but we’re over insured in others, so we can probably get comprehensive insurance – the kind of insurance we need without having to worry about paying more for insurance.

Shop around for lower premiums or make… or ask your agent to shop around for a lower premium. I just saved about $400 on a homeowner’s policy just by making a couple of phone calls.

Eliminate unneeded coverage. If you drive around in old cars, which I hope you do, maybe you don’t need comprehensive insurance coverage, for
example. Sometimes you don’t need all those bells and whistles they put on the policies.

And finally, if you can - if you’re not accident prone - increase deductibles. Go from a $250 deductible maybe to a $1,000 deductible.

So those are the kinds of things. Prepare for the unexpected. That will help you protect the money you’re putting away for retirement -- two important areas.

And with that I think it’s time for the Q&A.

Pam Krueger: Thank you so much, Jon.