# Money and You: Retirement takes planning, arithmetic and work sheets

*by Lynn_O'Shaughnessy*

It's a harsh reality that nobody is going to lend you money once you reach the age where your daily routine no longer includes breakfast on the go, office intrigue and commuter boredom. While many wannabe retirees are clear about their eagerness to leave the workplace, the escape plans they hatch are often as clearly defined as a pile of Scrabble letters.

Wishy-washy financial projections aren't going to cut it when you're ready to cut the ties to your company's payroll department. Consequently, most people, I'd suggest, are going to need help on whether they've got enough money to last 30 years or more.

One resource I'd recommend for anyone wrestling with these critical questions is a new book, "Getting Started in a Financially Secure Retirement: Pre-and Post-Retirement Planning in a Time of Great Uncertainty." The author is Henry Hebeler, a retired Boeing executive with three degrees from Massachusetts Institute of Technology, and the creator of a wonderful retirement Web site called Analyze Now! ( www.analyzenow.com). The book explores issues that face retirees and those who are contemplating the milestone, including budgeting, the timing of Social Security benefits and investing during retirement.

Too many financial books on the market try to con people into buying them by promising to share all the secrets necessary to be a boffo investor in the time it would take to mow the lawn. In contrast, Hebeler doesn't promise any quick financial miracles. In fact, to get a fix on your own retirement finances, Hebeler expects you to slog your way through his retirement work sheets. Mercifully, the MIT geek has done much of the mathematics for you.

If you feel more comfortable online, Hebeler's Web site provides an easier solution. It offers a variety of retirement software including the Simplified Financial Planner Plus, which is a free software program that is handy for pre-retirees and those who have already retired.

Here's a condensed version of some of the advice Hebeler dispenses in his book and Web site:

- Don't assume you can live on 70 percent of pre-retirement income. People tend to underestimate how much money they will spend in retirement. Particularly in early retirement, you can spend a ton of money using your newfound free time playing, whether it's on the golf course, on a cruise ship or eating your way through early-bird specials. It's better to assume that you will require 100 percent of your income, but you can subtract any retirement savings you've been making, such as contributions to a workplace 401(k) plan. You may also deduct any other costs that will disappear in retirement, such as paying for children's college costs.

Living expense projections can look quite reasonable on an Excel spreadsheet, but they can turn into a paper tiger with incisors months or years after the decision to retire is made. To reduce the chances of nasty financial surprises, Hebeler suggests that wannabe retirees try living for a year on their post-retirement budget before leaving the work force.

- Don't overestimate part-time work. The crutch for many people who aren't saving adequately for retirement is their assumption that they will work part time for a few years into retirement. Hebeler warns that part-time work will only be a solution if you can make high part-time wages and hold onto the job for many years. And this assumes that older Americans can find work or are healthy enough to hold a job. Many employers don't want the hassle of older employees, who could need more sick leave and increase their exposure to discrimination lawsuits. What's more, part-timers can get smacked with a nasty penalty tax if they begin taking Social Security before their full retirement age.

- Evaluate a lump sum versus pension checks. Workers - at least those whose pension plans haven't been fed through the corporate shredder - must often decide whether they should take the pension cash upon retirement or have the money converted into a stream of monthly checks that could last their lifetimes, as well as that of their spouses.

This is a complex question with no correct answer. It's only natural for a departing worker to want to ask someone for advice. But often the guys in the sharp business suits eager to provide the answers are ethically challenged financial salesmen who worm their way into workplaces to hold seminars. For many of these salesmen, the pension answer is laughably easy: Take the cash. And it's no surprise why these guys often sing the same notes. If you opt for the cash, the talking head at your seminar can reel you in as a client and invest all that cash - for a price.

On its Web site, Analyze Now has a software program to help employees choose the correct path. You may also want to consult a pension actuary. One source for pension experts is the American Academy of Actuaries at www.actuary.org/palprogram.asp or 202-223-8196. The academy's Pension Assistance List, or PAL, links people with any variety of pension questions with actuaries, who volunteer their services.

During Hebeler's first 10 years in retirement, his pension lost 30 percent of its purchasing power. If you do opt for the pension, you need to save some of it every year to compensate for inflation as you age. In the book, Hebeler provides a formula on how much to save.

- Budget for big-ticket items. Conventional retirement planning programs rarely take into consideration the sort of occasional expenses that can debilitate a budget. Expenses in this category can include a car, roof, water heater, carpet and interior and exterior paint. You should also budget for a potential big hit if you belong to a homeowners association that doesn't maintain a replacement reserve and an annual budget for wear-and-tear expenses.

What also trips up a lot of retirees are the marital and financial problems of other family members. Once you've retired, what are the chances that your son, daughter or the grandkids will need you to bail them out?

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