

How Much Do You Need For Retirement? Find Out Here



Kevin Hunt - The Bottom Line

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Senior couple sitting in deck chairs on beach. (Purestock / Getty Images/Purestock)

Why worry about an autumn swoon anticipated by stock market analysts when you could be worrying about a much greater potential financial calamity — your retirement?

Despite an S&P index that has almost tripled since the depths of the 2008 stock-market crash, replenishing the typical 401(k), people still fear another financial crisis could wipe out their savings and threaten their retirement.

"We still hear it from both clients and prospects," says Jarrett Solomon, the director at Connecticut Wealth Management in Farmington, which offers fee-only financial services. "They say, 'I just don't want to go through that again.'"

If the market dips this fall, don't panic. A 10 percent drop usually happens every 18 months and is considered good for the market's health. It's been more than three years since the last correction, heightening fears about what might happen either this fall or early next year if the Federal Reserve raises short-term interest rates.

"If clients want to bail," says Solomon, "I would say stick with the plan. Do the work upfront to know that you are taking the right amount of risk and therefore you won't get caught up in a euphoric market state like we've seen over the last few years and then be left over your skis when the market turns the other direction."

So what does a 60-year-old, nearing retirement, with \$100,000 in a retirement account do to make sure that lasts? Connecticut Wealth manages portfolios for clients with a minimum investment of \$500,000, so this case would require more risk.

"That person could be living another 30 or 40 years," says Solomon, "so that would suggest someone that age needs to be, to some degree, aggressive to keep up with inflation over that time period.

Solomon says he would advise that person to invest the \$100,000 equally among stocks and bonds, fully diversified. Most retirement estimates assume a 4 percent withdrawal each year. Add Social Security and any other income, then match it against expected expenses.

How's your retirement looking now? For an estimate of what you'll need for retirement, whether you're 35 or 65, load your numbers into one of these free online calculators.

BlackRock CoRI

What: BlackRock, an investment firm, uses a daily index and current retirement balance to estimate a retirement income for people now 55 to 64 years old.

Crunched: The 60-year-old with \$100,000 in a retirement account is in trouble. The calculator estimates this portfolio would generate \$5,685 in annual retirement income. If you wanted \$15,000 a year to supplement Social Security income, the calculator estimates this person would have to save \$30,764 a year until age 65. Translation: It's probably too late.

Vanguard RetirementNest Egg

What: A quick-hit tool from the world's largest mutual fund company that asks how long you want your portfolio to last, its balance, how much of it you want to spend each year and the desired stocks-bonds-cash percentages.

Crunched: Someone with a \$300,000 portfolio (50-50 stocks and bonds) who wants it to last 25 years while spending 4 percent (\$12,000) a year, has a 97 percent chance of success.

ESPlanner Basic

What: This planner developed by Laurence Kotlikoff, a Boston University economist, is among the most specific freebie calculators: It allows different retirement dates for husband and wife, asks about children under age 19 and even where you live.

Crunched: A 58-year-old with \$1 million in retirement savings wants to retire at age 62 with 70 percent of her annual \$85,000 salary. The portfolio's annual rate of return in retirement is 4 percent, expected inflation 3 percent. She wants the portfolio to last 30 years. It won't: The money will run out at age 86. (Does she really need 70 percent of her salary?)

"We have clients that retire [early] on \$1 million, for sure," says Solomon. "They either keep their expenses low or they rely on other guaranteed sources of income."

Bankrate RetirementPlanner

What: A Bankrate.com tool with options that include whether you're married and if you want to count Social Security income.

Crunched: How important is saving for retirement at a young age? A married 35-year-old couple with \$85,000 in annual household income and \$5,000 in retirement savings wants 50 percent of their income at age 65 retirement, including Social Security. This assumes 8 percent annual retirement savings (\$6,800 to start) and 2 percent annual income increases. (Return before retirement is 7 percent, return during retirement 4 percent.)

This couple, who wants their money to last 25 years, will retire with \$761,595 and will have \$1.28 million at age 90. Success!

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