

# **TEST YOUR FINANCIAL PLANNING**

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1. What percentage of your savings can you withdraw annually in retirement without risk of running out of money?

**(4% The 4% rule advocated by many financial planners holds that if you withdraw no more than 4% of your portfolio in the first year of retirement and then increase that amount for inflation each year, your money should last at least 30 years. That rough guideline takes into consideration the role of expected earnings on your portfolio, as well as inflation.)**

2. Approximately what percentage of pre-retirement income is generally needed to maintain a person’s current lifestyle in retirement?

**(Most employees need an average of between 77 and 94 percent. It’s best to plan for the high side, since health and medical costs are impossible to predict. Also, people tend to spend more money when they have more leisure time.)**

3. Working full-time for three years past one’s anticipated retirement date and continuing to save 15 percent of salary could raise annual retirement income by how much?

**(Investment management company T. Rowe Price says retirement income goes up about 7% for each additional year of work, or around 22% after three years.)**

4. At what age will most of today’s workers be eligible for full Social Security retirement benefits?

**(Between 66 and 67, depending on date of birth. Retire before that, and your benefits will be reduced by 20 to 30%.)**

5. The typical person age 50 and older with a 401(k) account with his or her current employer holds about how much in the account?

**(\$96,809 as of February 26, according to the Employee Benefit Research Institute. Whether you’re ahead or behind of your neighbors and peers in retirement savings, don’t lose sight of the long term – keep saving.)**

6. The number of workers age 65 and over is expected to grow by how much over the next decade?

**(The number of workers age 65 and over is predicted to soar by more than 80% by 2016 from 2006 totals, according to the U.S. Bureau of Labor Statistics.)**

7. What percent of homeowners age 50 to 65 plan to use home equity to finance ordinary living expenses in retirement?

(6%, according to a 2007 report by the Center for Retirement Research at Boston College. You should try to avoid tapping home equity for routine retirement expenses if possible. The housing crisis has called into question projections that home equity is likely to become an increasingly important source of retirement income.)

8. What percent of U.S. workers are covered by traditional defined-benefit retirement plans (pensions)?

(AARP says only 20% are covered, meaning most people have to look after their own finances with such vehicles as 401(k)s and IRAs for their nest eggs.)