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Planning, Saving Let Retirees Live Dreams

By Naomi Snyder Staff Writer

Baby boomers are getting increasingly worried about their retirements amid an epidemic of declining corporate benefits, insufficient savings rates and a rocky national economy.

But despite all these risks, some Nashville-area residents are an example that it's still possible to retire comfortably with a little forethought.

Consider Pat and Mary Rehovsky, seniors who are living an active lifestyle mostly free of financial concerns in a Del Webb subdivision for older adults in Mt. Juliet.

"Look around," said 62-year-old Pat, as he picked up a wayward bocce ball at the subdivision's sports complex on a recent Friday. "We're fairly healthy people and we want to do things. We don't want to sit in the house and worry about whatever we want to worry about."

The retired couple were able to sock away enough to afford to pay cash for a modest vacation home on Center Hill Lake in DeKalb County and a $248,000 home in Mt. Juliet, and to take frequent vacations, including a recent safari to Africa that cost about $10,000.

How did they do it? The answer is by marshaling the monetary power of Mary's pension from her working years in California and Pat's ample retirement savings.

Pat, who was in charge of manufacturing for a small company, started putting money aside for retirement when he was 40 years old. At one point, he was putting away as much as 15 percent of his income into a retirement plan. His employer matched his contributions up to a maximum of 6 percent.

He noticed that when he increased his contributions to the plan, his paycheck sometimes stayed the same, because he was lowering his taxes by putting money aside tax-free. "I hope those retirement assets that are now sitting in an IRA, I think they will last my lifetime," he said.

As for Mary, she was helped by California's then-healthy real estate market, where she sold a home more than a decade ago for $190,000, more than triple what she had paid for it 14 years earlier. She also got a pension and retired early at the age of 52 as a welfare case supervisor for the Los Angeles County Department of Public Social Services.

Build wealth over time

Not everyone can be assured of a pension. The percentage of employers offering a corporate pension has shrunk, in fact, with less than 20 percent of employees saying they're covered by one today, according to a recent study by the Kaiser Family Foundation.

Financial planners say maximizing contributions to retirement plans is one of the best ways to build wealth over time. Here is some other advice that applies no matter what your age:

Put away as much as possible for retirement every year. The federal government allows a maximum contribution to a 401(k) plan at work of $15,500 per person, but your employer may have different limits. If an employee is over 50, the maximum is $20,500. If you don't have access to a workplace retirement plan, you can start an IRA, or individual retirement account. The maximum contribution this year to an IRA is $5,000, or $6,000 if you're over 50. Plus, you get a tax break.

Calculate how much you will need. There are plenty of calculators online to determine how much you need to save to retire, including one at aarp.org/money. If you save $500,000 before you retire, for example, you should be able to safely take out at least 4 percent per year or $20,000 in income, without depleting your savings, according to certified financial planner Bill Garrett in Brentwood.

Factor in health care inflation. Medical inflation is higher than overall inflation. Garrett has begun using an inflation rate of 4 percent, assuming that the elderly face a higher rate of inflation than the overall population because of the relatively high growth rate of medical expenses.

Don't assume you can work until you die. Many people retire because of health problems or because they are laid off from work. Some people are living well into their 90s, meaning their retirement years are about as long as their working years.

Don't put all your money in conservative investments. If you plan to live 30 or 40 years in retirement, you need some investments that will grow, not lose out against inflation like so many CDs and money market accounts. Garrett recommends putting aside enough money in fixed interest investments such as CDs and annuities to last 10 to 12 years and allowing the rest of your money to grow in the stock market.

Don't assume you need a reverse mortgage. Reverse mortgages seem attractive as a way to create an income from the asset that is your home and stop making mortgage payments. But, alternatively, you could also sell your home and move into a smaller house or condominium, taking the equity out of your house and investing the money instead.

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