



Money Zone: Retirement Planning

Just For You: Easy Retirement Planning

To estimate how much you'll need in retirement, look at several factors: how early you plan to retire, your longevity (and that of your spouse, if you're married), the income you will earn in retirement from part-time employment or consulting, your expenses in retirement, and the effects of inflation.

Here is a worksheet you can use to compute your retirement needs:

Retirement Planning Worksheet		
1. How much you will need each month, in today's dollars	\$	
2. Add 20 percent for income taxes		
3. Total needed each month, in today's dollars (1 + 2)		
Monthly earnings and retirement benefits:		
4. Earnings from employment during retirement		
5. Social Security from Table 1		
6. Pension plan monthly distribution (defined benefit)		
7. Total monthly earnings and retirement benefits (4 + 5 + 6)		
8. Other monthly income you will need, in today's dollars (3 - 7)		
9. Divide income needed (line 8) by 24 (assumes inflation is 3%)		
10. Times years until retirement	x	
11. Additional income you will need due to inflation (9 x 10)		
12. Monthly income you will need, in future dollars (8 + 11)		
Multiply by 240*		X 240
13. How much you'll need at retirement to produce future income		
Amount saved so far:		
14. 401(k) and other employer-sponsored plans		
15. IRAs		
16. Other investments earmarked for retirement		
17. Total saved so far, in today's dollars (14 + 15 + 16)		
18. Times investment growth factor from Table 2	x	
19. Amount saved so far, in future dollars (17 x 18)		
20. Investments still needed, in future dollars (13 - 19)		
21. Times monthly savings factor from Table 3		x
22. MONTHLY SAVINGS NEEDED (20 x 21)	\$	

*Assumes that investments will earn four percent more than inflation and will be exhausted in 40 years.



Retirement Planning Worksheet - Table 1
YOUR SOCIAL SECURITY BENEFITS
 (MONTHLY SOCIAL SECURITY BENEFITS YOU WILL RECEIVE IN TODAY'S DOLLARS)

<i>Your Current Annual Income</i>	<i>Your Monthly Benefits at age 65-67</i>
\$10,000	\$615
\$20,000	\$887
\$30,000	\$1,151
\$40,000	\$1,423
\$50,000	\$1,598
\$60,000	\$1,722
\$70,000	\$1,849
\$80,000	\$1,969

Spouses generally will receive half of the above amounts at age 65 to 67, or benefits based on their own earnings records, whichever is greater.

Retirement Planning Worksheet - Table 2
INVESTMENT GROWTH FACTOR
 (AMOUNT ONE DOLLAR INVESTED NOW WILL GROW TO)

<i>Years to Retire</i>	<i>Rate of Return</i>			
	4%	6%	8%	10%
5	1.22	1.34	1.46	1.60
10	1.48	1.79	2.16	2.59
15	1.80	2.40	3.17	4.18
20	2.19	3.21	4.66	6.73
25	2.67	4.29	6.85	10.83
30	3.24	5.74	10.06	17.45
35	3.95	7.69	14.76	28.10

Retirement Planning Worksheet - Table 3
MONTHLY SAVINGS FACTOR
 (MONTHLY AMOUNT NEEDED TO SAVE ONE DOLLAR)

<i>Years to Retire</i>	<i>Rate of Return</i>			
	4%	6%	8%	10%
5	0.0150	0.0143	0.0136	0.0129
10	0.0068	0.0061	0.0055	0.0049
15	0.0041	0.0034	0.0029	0.0024
20	0.0027	0.0022	0.0017	0.0013
25	0.0019	0.0014	0.0011	0.0008
30	0.0014	0.0010	0.0007	0.0004
35	0.0011	0.0007	0.0004	0.0003

If the worksheet showed you are saving enough each month for retirement, great. If not, step up your retirement savings, if you can. If it seems impossible to save enough each month, perhaps you can modify your assumptions. For example, you could plan to work longer, so you have longer to save and the period of time you are using your assets is shorter. Or you could plan to work part-time during retirement, reducing the amount of retirement income you'll need. Remember, the important thing is to start saving now, and keep saving as much as you can.