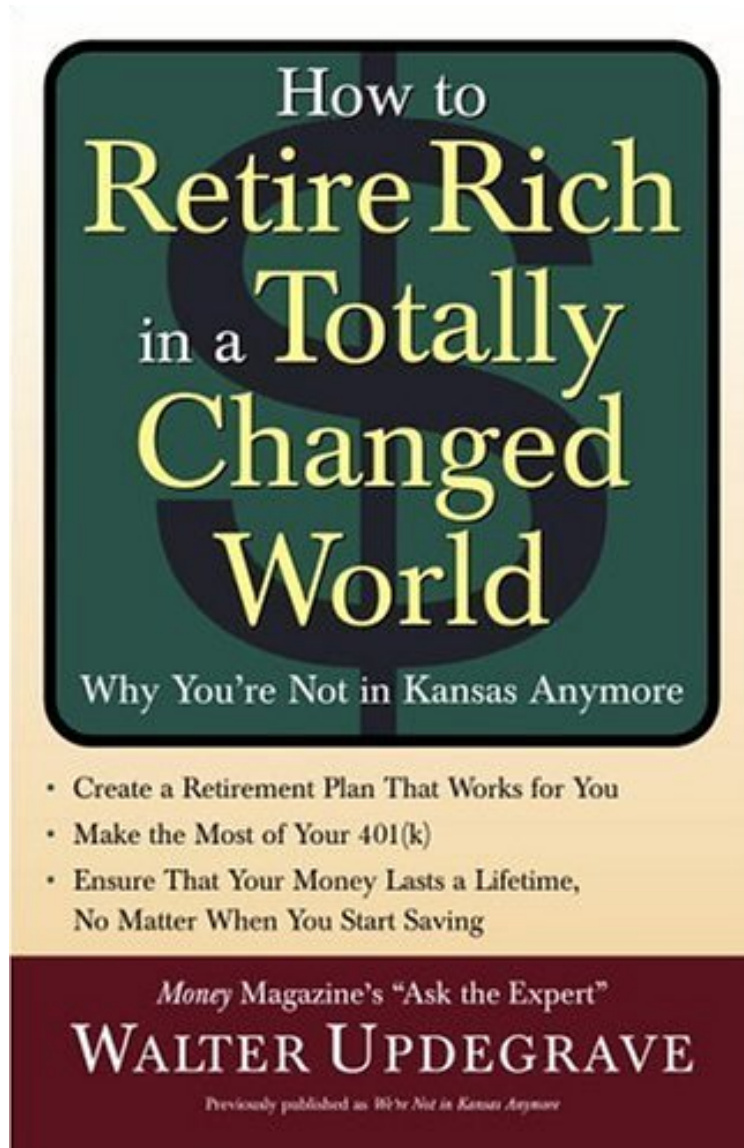


(Download) How to Retire Rich in a Totally Changed World: Why You're Not in Kansas Anymore

How to Retire Rich in a Totally Changed World: Why You're Not in Kansas Anymore

Walter Updegrave

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Walter Updegrave : How to Retire Rich in a Totally Changed World: Why You're Not in Kansas Anymore before purchasing it in order to gauge whether or not it would be worth my time, and all praised How to Retire Rich in a Totally Changed World: Why You're Not in Kansas Anymore:

0 of 0 people found the following review helpful. It's a good book with practical down to earth informationBy donald ngIt's a good book with practical down to earth information. It doesn't have any of those get rich quick schemes, or the

loony buy silver and gold rhetoric. The information gives good solid advice on how to build a foundation for retirement. I wish I had read this book 20 years ago when I was in my 20's, because the information in the book would have helped me a lot. 0 of 0 people found the following review helpful. Four Stars By john b.ok2 of 13 people found the following review helpful. Excellent and to the point By J. Davis This is a good, comprehensive guide for preparing for retirement.

Whether you are thirty years from retirement or it's just around the corner, here is the only book you'll need about how to get it together and plan a safe, secure, and prosperous retirement. Money magazine senior editor Walter Updegrave has crafted a practical, resourceful guide, showing readers how to cut through the clutter, assess their finances, and become their own personal pension manager. How to Retire Rich in a Totally Changed World gives readers the tools to make retirement something everyone can look forward to. From the Trade Paperback edition.

A wake-up call to millions of people who must learn how to deal with the Oz-like reality that is retirement planning. —Fort Worth Star-Telegram A money counselor for the millennium. —Booklist Updegrave's How to Retire Rich in a Totally Changed World will make you a wizard —not of Oz, but of your own financial destiny. Whether you're a Cowardly Lion of an investor or a feisty Toto, this book will give you the courage to make the right money moves for you and your family. Updegrave not only explains how to build wealth for retirement but, crucially, how to ensure your money lasts as long as you do. —Tyler Mathisen, anchor, CNBC The road to retirement has certainly become bumpier in recent years, but Walter Updegrave's How to Retire Rich in a Totally Changed World gives you the tools you need to create an easy-to-follow road map to a secure retirement. —Marshall Loeb, senior correspondent and columnist, CBS MarketWatch, and former editor of Money and Fortune If you care about the quality of your life in retirement, How to Retire Rich in a Totally Changed World is a book you need to read. It will improve your financial well-being and help put you on the right path to a better retirement. —Harold Evensky, certified financial planner and author of Wealth Management From the Trade Paperback edition. About the Author Walter Updegrave has been covering the financial markets and writing about saving and investing for retirement for nearly twenty years. He is senior editor of Money magazine and the "Ask the Expert" columnist on AOL Personal Finance and CNN Money.com, where he provides straightforward, unbiased advice about every aspect of retirement planning. Excerpt. copy; Reprinted by permission. All rights reserved. Chapter 1 FORGET KANSAS, GET TO KNOW OZ. YOU'RE NOT IN KANSAS ANYMORE It's one of the greatest moments in one of the greatest movies of all time, The Wizard of Oz. Dorothy Gale, played by Judy Garland, has just been transported along with her little terrier, Toto, from the Kansas farm where she lives with her auntie Em and uncle Henry to a mysterious place called Oz. The flat, monotone Kansas prairie has been replaced by a bizarre landscape bursting with color and lush with exotic flowers and plants. Bedazzled, Dorothy looks around, trying to gain her bearings in this unfamiliar terrain. And then she utters those famous words to her little dog: "Toto, I have a feeling we're not in Kansas anymore." When it comes to describing the situation most of us face today when planning for retirement, I can hardly think of a better line: You're not in Kansas anymore. The old, familiar landscape we once took for granted, the cozy, secure world where you could count on the combination of government largesse and an employer-funded pension to provide you with a comfy retirement, has given way to a totally new environment, one as alien to the world we knew before as Oz is to Kansas. Granted, in this new retirement world we don't have to deal with such nasty creatures as the Wicked Witch of the West or her army of freaky flying monkeys, as Dorothy, the Tin Man, the Scarecrow, and the Cowardly Lion did. But the twenty-first-century retirement-planning landscape is nonetheless teeming with daunting challenges of a different breed. We must learn how to get the most out of financial instruments that retirees a generation ago never had to concern themselves with, an alphanumeric soup of 401(k)s, 403(b)s, 457 plans, IRAs, Keoghs, SEPs, and so on. (IRAs, Keoghs, and SEPs, oh my!) And then there are the myriad rules concerning IRA rollovers, early withdrawal penalties, borrowing regulations, and RMDs (required minimum distributions). On top of all this, we've got to invest our retirement savings and thus learn to navigate the often treacherous waters of the financial markets, where sudden setbacks can sometimes undo years of diligent saving. In short, just as Dorothy had to familiarize herself with the strange ways of Oz in order to find her way back home, so too must we develop retirement-planning strategies that offer the best chance of success given the new realities we face. In this chapter I'll bring you up to speed on the new retirement landscape, including a number of distinctly positive developments stemming from recent changes in the tax laws that can increase our chances of achieving a comfortable retirement. Only by coming to grips with the various changes that have transformed the world of retirement planning and understanding how those changes affect you can you sensibly plan for your own retirement. Changes in the Financial Aspects of Retirement Social Security Ain't What It Used to Be Traditionally, retirement-planning experts have told us to think of our income sources during retirement as a three-legged stool, the first leg being Social Security, the second company-funded pensions, and the third personal savings. In fact, however, this stool would have been pretty lopsided because for most people the role of that first leg, Social Security, was much, much bigger than the other two. But today's and future generations of retirees aren't going

to get anything remotely approaching the kind of windfall Social Security recipients received in years past. For one thing, there aren't enough workers paying into the system to provide benefits comparable to those past generations received. You don't have to be a financial whiz to figure out that fewer people putting money into the system and more drawing it out spells trouble. And that, according to the Social Security Administration's own projections, is exactly what lies ahead. Given the uncertain outlook for this program, some financial planners suggest that people filling out retirement-planning worksheets put a big fat zero on the line where you enter your expected Social Security benefit. I think that's a little extreme. Even if the Social Security trustees' projections are accurate and the trust fund runs dry in 2042 or so, it's not as if the Social Security system will go bankrupt then, as is often suggested in the press. Payroll and income taxes will continue to flow into the system as before. Those taxes just won't be enough to pay full benefits, but they would be able to pay between 65 and 73 percent of currently scheduled benefits over the subsequent thirty-five years. It's anyone's guess how this will be resolved. At some point in the future the Social Security system could include some version of individual accounts that would allow us to put a portion of our Social Security taxes into stock and bond mutual fund accounts instead of having the money invested solely in U.S. Treasury bonds, as is now the case. That might help some of us earn a higher rate of return on the money we put into the plan and possibly boost what we collect in benefits down the road. Or Congress might try to shore up the existing system by raising payroll taxes or tinkering in other ways. Or maybe we'll see a combination of both approaches. Whatever is done, however, I would expect that future Social Security benefits will be smaller than they've been in the past. If you are relying primarily on Social Security to carry you through retirement, you are (a) counting on a very short retirement, (b) counting on a very grim retirement, (c) fooling yourself, or (d) all of the above. Suffice it to say that planning to make Social Security the cornerstone of your retirement isn't really planning at all.

Corporate Pension Plans Are Going the Way of the Hula Hoop

Remember hula hoops? They were all the rage back in the early 1950s among hip-swiveling young baby boomers. But within a few years, sales of these plastic novelty items fell from the millions to perhaps a few thousand a year, and today the few remaining hula hoops are little more than nostalgic relics of a more innocent era. Well, the trajectory has been similar, though not nearly as short-lived, for defined-benefit pensions. These are the types of pensions most of us think of (or used to think of) when we hear the term pension—that is, one in which the company puts money into an investment fund and, regardless of the performance of the investments, promises to pay you a monthly check for life based on how many years you worked at the company and the size of your salary. Often, after putting in twenty-five or more years at a company, retirees could walk away with pension benefits that guaranteed them upward of half of their salary. As these types of pension plans were nearing their peak in the late twentieth century, the seeds for their demise were being sewn. For one thing, companies began to realize that with this type of pension they could be on the hook for much bigger liabilities than they'd expected. After all, with more and more people living well into their nineties or even hitting the century mark, companies could end up making monthly payments for thirty or forty years, if not longer, to retirees who stubbornly refused to die. Many companies began to decide they were better off shutting down their defined-benefit plans or at least not starting any new ones. As a result, the number of company-funded pensions fell from 114,000 in 1985 to about 31,000 today, a drop of more than 70 percent. The old pension arrangement where the company funded the plan and you were guaranteed a monthly check for life is rapidly becoming a vestige of a near-obsolete system. If you are lucky enough to work for a company that still provides such a plan, that's great. But that's not the case for most of us, which means that for the majority of Americans that second leg of the retirement stool has gotten a lot shorter.

More than Ever Before, the Onus Is on Us to Save and Invest for Our Own Retirement

With the first two legs of that three-legged retirement stool contributing less to our retirement security than in the past, we now have to rely more than ever before on that third leg: personal savings. Fortunately, even as traditional defined-benefit pension plans have been disappearing, most of us have had access to a growing array of other types of retirement savings plans. At the top of the list are defined-contribution plans such as 401(k)s, which allow you to contribute a percentage of your salary before taxes into a variety of investments, typically mutual funds. In many cases, employers will match a portion of what you put into the plan. These are called defined-contribution plans because in accordance with federal pension law the plan stipulates, or defines, how much you can contribute to the plan. No guarantees are made about the benefits the plan will pay, however. Which makes these plans the mirror image in a sense of the defined-benefit plans discussed above, where it was the benefit payment that was defined, while the employers' contribution could change depending on the performance of the plan's investment assets. 401(k)s and other types of plans require us to take on a much bigger role than ever before in planning for retirement in two specific and crucial ways. First, you've got to take the initiative to put your money into these plans. If you contribute only a small percentage of your salary to your 401(k) plan, then you will have only a little bit of money at work for your retirement. If you don't contribute any of your salary, then the plan is absolutely no help to you at all. Even in the cases where the employer is willing to kick in some contributions to the plan, those contributions are matching contributions. Those who are willing to stash away money in these plans, however, got a big break in a piece of legislation known as the Economic Growth and Tax Relief Reconciliation Act of 2001, or more simply the 2001 tax bill. In addition to phasing in cuts in marginal income tax ...