

Matching your retirement to your income

Not everyone is able to save enough money so that when they retire they can enjoy the exact lifestyle they had hoped for. If money is short, there are things you can do to better match your income to your desired lifestyle and still enjoy your time.

The first step is to accurately understand the exact amount you have available to spend. Start by identifying what is available to you in the form of monthly income, not by considering what you have for your total net worth.

In other words, it doesn't matter what your home is worth or total dollars invested or saved. What matters is how much you can spend each month without depleting the reserves you'll need in the future. This will likely include income from annuities, Social Security and, if you're fortunate, a pension. Add interest on savings accounts and bond funds or dividends on stocks.

Now that you know your income, you need to make sure your monthly expenditures are at or below this amount. Otherwise, to make ends meet you'll need to tap into your principal, which could jeopardize future monthly income.

But what if your monthly income isn't enough? Or, what if your monthly income is enough for essentials, like shelter, clothing and food, but not enough for travel and entertainment? What do you do?

One solution involves sacrifice. You can pinch pennies by being a careful shopper, driving less and making fewer non-essential purchases. But who wants retirement to be a time of constant sacrifice? Who wants to live in denial of all but the most basic needs?

Retirement planners say there are two other options to consider, both of which might add to your discretionary income when your retirement income isn't enough:

1. **Cut your housing expenses.** With home prices so high, and your mortgage either low or paid off, you could sell now and purchase a less-expensive condo or townhome. Or, you could move to a smaller town where housing prices are lower, as are real-estate taxes and other services. You could invest the difference in a retirement savings vehicle that could increase your monthly income.
2. **Get a part-time job.** As the economy picks up, more and more service sector companies are looking for part-time workers of any age. There are

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openings at retail stores, fast food restaurants and grocery stores, among others. The few dollars you bring in could mean the difference between a tight retirement and one with discretionary income.

Both of these choices require some sacrifice. You might need to move further from family and friends to find that more affordable home or condo. And as you age, working might become more difficult. But there are rewards for these choices. You could be adding a sense of newness and adventure to your life, and you could meet new friends who share your values and circumstances.

Helpful web sites

- **Figure out the numbers.** It's always helpful to start with the facts. Moneycentral has calculators to help you estimate your income over time, life expectancy and expenses. Go to:
http://moneycentral.msn.com/investor/calcs/n_retire/main.asp
- **Looking for a job.** The Monster.com job-finding worksite has job openings for retirees and advice on how to land the work. Go to:
<http://careersat50.monster.com/articles/retirement/>
- **Cheapest places to live.** This site gives an overview of the 60 cheapest places to live, and links to charts and rankings. Go to:
<http://www.forbes.com/bestplaces/2005/01/20/life2land05.html>

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