

**"This book does its job! It provides a reliable road map for people who are looking for the best way to financial independence."**

**—LEE IACocca**

how much is  
**enough**



**Balancing**

**Today's Needs with**

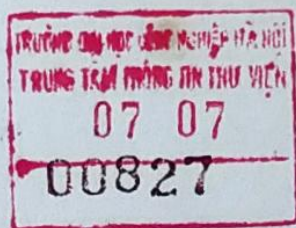
**Tomorrow's Retirement Goals**

**Diane McCurdy, CFP**

# HOW Much IS Enough?

Balancing Today's Needs with  
Tomorrow's Retirement Goals

Diane McCurdy



WILEY

John Wiley & Sons, Inc.

Copyright © 2005 by Diane McCurdy. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 646-8600, or on the web at [www.copyright.com](http://www.copyright.com). Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

**Limit of Liability/Disclaimer of Warranty:** While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services please contact our Customer Care Department within the U.S. at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books. For more information about Wiley products, visit our web site at [www.wiley.com](http://www.wiley.com).

***Library of Congress Cataloging-in-Publication Data:***

McCurdy, Diane.

How much is enough?: balancing today's needs with tomorrow's retirement goals / Diane McCurdy.

p. cm.

ISBN-13 978-0-471-73871-8

ISBN-10 0-471-73871-9 (pbk.)

1. Retirement income. 2. Retirement—Planning. I. Title.

HG179.M37432 2005

332.024'014—dc22

2005006848

Printed in the United States of America.

10 9 8 7 6 5 4 3 2

# CONTENTS

Preface	vii
Acknowledgments	xi
Introduction	1

## PART ONE: WHAT IS ENOUGH?

CHAPTER 1	<b>Your Money and Your Life</b>	<b>9</b>
	The Attitude Quiz	11
	How Did You Score?	14
	Two Attitudes, One Family	19
	Attitudes versus Preferences	20
	Money Myths	21
CHAPTER 2	<b>Where It Goes</b>	<b>24</b>
	Tracking Your Cash Flow	24
	Cash Flow Statement	27
	Calculating the Future	30
	Personal Balance Sheet	31
CHAPTER 3	<b>What You Want</b>	<b>34</b>
	What <i>Do</i> You Want, Anyway?	34
	Wish List	36
	Wish List Times Two	37
	Wish List Favorites	40
	Yearly Goals	44
	How to Set Your Yearly Goals	45
CHAPTER 4	<b>What's Enough for You—The Magic Number</b>	<b>49</b>
	Crunching the Numbers	50
	Projecting for Retirement	51

## **iv CONTENTS**

What Your Enough Number Means	57
If You're on Track	61
If You're Not on Track	64

## **PART TWO: GETTING ENOUGH**

<b>CHAPTER 5</b>	<b>Getting on Track</b>	<b>69</b>
	Needs versus Wants	70
	Budgeting—I'll Try to Be Gentle	72
	The 10 Percent Rule	74
	Finding the Money to Save	74
	If You've Cut All You Can and It's Still Not Enough	81
<b>CHAPTER 6</b>	<b>Finding Financial Advice</b>	<b>84</b>
	Finding a Good Financial Adviser	84
	Trust, Two Ways	86
	Your Risk Profile	91
	It Is What You Know	91
<b>CHAPTER 7</b>	<b>How to Make Your Money Grow</b>	<b>95</b>
	Loaners	95
	Owners	99
	Three Rewarding Investment Strategies	100
	Owner Investments: The Basics	103
	Some Rules for Investing	116
<b>CHAPTER 8</b>	<b>Retirement Plans</b>	<b>118</b>
	Individual Retirement Accounts (IRAs)	120
	401(k) Plans and Company-Sponsored Retirement Plans	122
	Employer Pension Plans	123
	Roth IRA Accounts	123
	Borrowing for Your IRA	126
	Contributing Early	127
	IRAs and Kids	128
	Education Saving Accounts and 529 Plans	130
	Saving Outside the Government Plans	133

<b>CHAPTER 9</b>	<b>Ages and Stages</b>	<b>136</b>
	Age 20–35	136
	Single Parents, Set a Path	142
	Age 35–50	144
	Age 50–65	146
	Insurance	147
<b>CHAPTER 10</b>	<b>The Entrepreneurial Option</b>	<b>154</b>
	Are You an Entrepreneur?	155
	The Entrepreneur Quiz	155
	Planning Your Own Business	162
	Running Your Business	169
	The Family Business	175
	Changing Careers	180
<b>CHAPTER 11</b>	<b>I've Got Enough—Now What?</b>	<b>182</b>
	Retirement: The Emotional Side	182
	Retirement: The Financial Side	188
	What Happens When You Retire?	189
	Your Money in Retirement	196
	Should I Get a Reverse Mortgage?	199
	Power of Attorney	200
	What to Do with the Extra	201
	Saving Tax in Retirement	205
<b>CHAPTER 12</b>	<b>Estate Planning</b>	<b>206</b>
	Why Do I Need to Write a Will?	207
	Avoiding Tax and Probate	211
	Laying the Groundwork	213
	Estate Planning Strategies	221
<b>CHAPTER 13</b>	<b>Twenty Thoughts to Help You Stay on Track</b>	<b>223</b>
<b>APPENDIX A</b>	<b>Registered Plans (Canada)</b>	<b>225</b>
	Registered Retirement Savings Plans	225
	Borrowing for Your RRSPs	231
	Contributing Early	232
	RRSPs and Kids	232
	Maximizing Your RRSPs	233
	Registered Education Savings Plans (RESPs)	234

## **vi CONTENTS**

<b>APPENDIX B</b>	<b>I've Got Enough—Now What? (Canada)</b>	<b>241</b>
	Age 69 and Over	241
	Saving Tax in Retirement	243
<b>APPENDIX C</b>	<b>Estate Planning (Canada)</b>	<b>244</b>
	Probate in Canada	244
	Capital Gains Tax	244
	What Happens to My Retirement Plans?	245
	Estate Planning Strategies	245
	<b>Notes</b>	<b>247</b>
	<b>Financial Planning Professional Designations</b>	<b>251</b>
	<b>About the Author</b>	<b>253</b>
	<b>Index</b>	<b>255</b>