

# What's Your Retirement Number?

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# Agenda

- Are doctors different?
- Basic planning tools
  - Net worth
  - Cash flow
- Your retirement number
- Saving for retirement
- Investing principles
- Questions

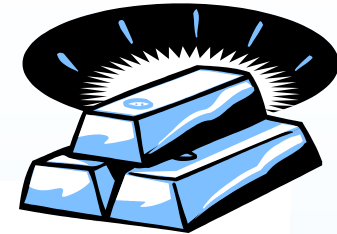


# Are Doctors Different?

- Significant education debt load
- Strong earning potential
- Generous employee benefits
- Time-starved!



# Net Worth



## DICK AND JANE'S NET WORTH DECEMBER 31, 2006

	<u>DICK</u>	<u>JANE</u>	<u>JOINT</u>	<u>TOTAL</u>	<u>12/31/05</u>	<u>CHANGE</u>
<b><u>ASSETS</u></b>						
INVESTMENT ACCOUNTS	45,000	35,000	20,000	100,000		
RETIREMENT ACCOUNTS	455,000	315,000	0	770,000		
REAL ESTATE						
NEWTON			1,200,000	1,200,000		
NANTUCKET			800,000	800,000		
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TOTAL REAL ESTATE	0	0	2,000,000	2,000,000		
TOTAL ASSETS	500,000	350,000	2,020,000	2,870,000		
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<b><u>LIABILITIES</u></b>						
MORTGAGE - NEWTON			(500,000)	(500,000)		
MORTGAGE - NANTUCKET			(400,000)	(400,000)		
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TOTAL LIABILITIES	0	0	(900,000)	(900,000)		
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<b>NET WORTH</b>	<b>500,000</b>	<b>350,000</b>	<b>1,120,000</b>	<b>1,970,000</b>	<b>1,850,000</b>	<b>6.5%</b>
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Snapshot of financial position; update every January

# Cash Flow

## DICK AND JANE'S CASH FLOW 2007

INFLOW		OUTFLOW	
Dick's Salary	\$200,000	Vacations	\$25,000
Jane's Salary	200,000	Restaurants	20,000
		Clothing/jewelry	18,000
		Auto/gas	15,000
		Charity	12,000
		Grocery	12,000
		Gifts	10,000
		Professional fees	9,000
		Medical/dental	8,000
		Misc	6,000
		Subtotal discretionary	135,000
		Mortgages	65,000
		Real estate taxes	25,000
		Utilities	20,000
		Insurance (home, car, life, liab, disability)	20,000
		Subtotal fixed	130,000
		Taxes (Fed, MA, FICA, medicare)	120,000
		<b>TOTAL OUTFLOW</b>	<b>\$385,000</b>
		<b>NET CASH FLOW</b>	<b>\$15,000</b>



Monitor annual spending every few years to see where income goes

# What's Your Retirement Number?

- Your retirement number is the amount of money you need to have saved by the time you retire in order to fund your post-retirement life
- Everyone's number is different
- The starting point is to determine how much you plan to spend each year after you are retired. This is reduced by income you expect to receive from Social Security or other pensions.
- Once you know your number, you can see whether your current investment balances are sufficient. Be aware that if your investments are in retirement accounts you need to adjust for taxes that will be paid upon withdrawal.

\$500,000?

\$2 million?

\$5 million?

\$8 million?

\$10 million?

# Example of How to Calculate Your Number

Facts – The Boomers are a married couple with \$2.0MM in their retirement accounts. They expect to receive \$27,000 in Social Security. They have no other savings or pensions.

Step 1 – Estimate annual spending in retirement

\$200,000 per year

Step 2 – Subtract expected Social Security or other income

Spending \$200,000 per year  
Soc Sec - 27,000 per year  
Shortfall 173,000 per year

Step 3 – Divide shortfall by safe withdrawal rate of 4% to determine their “number”

$\$173,000 / .04 =$  **\$4,325,000** ←

Step 4 – Subtract existing assets (less taxes owed) to identify savings target

Amount required \$4,325,000  
Available savings - 2,000,000  
Less taxes (25%) - 500,000  
Savings target \$2,825,000

# Where to Save for Retirement

- Retirement Plans
  - Academic Annuity Plan
    - Contributions made by MGH/MGPO
    - % of earnings based on compensation
      - If under 40 years old, then 5% up to \$97,500 10% thereafter up to \$225,000
      - If age 40 or over, then 11% up to \$97,500, 16% thereafter up to \$225,000
  - Future Income Plan – Applies to eligible income greater than \$225,000
  - Tax Sheltered Annuity
    - Voluntary income deferrals
    - TIAA-CREF, Vanguard or Fidelity
    - Up to \$15,500 in 2007; \$20,500 if over 50 years of age
    - Note that combined AAP and TSA plan contributions cannot exceed \$45,000 in 2007
  - 457(b) Deferred Compensation Plan
    - Voluntary income deferral for those earning over \$140,000
    - Limit is \$15,500 for all ages (in addition to TSA contributions)
- IRAs
- Taxable Savings



# Investing Principles

1. Understand your investment profile
2. Diversify investments across asset classes
3. Use no-load mutual funds, index funds or ETFs
4. Invest tax efficiently
5. Ignore short-term market swings

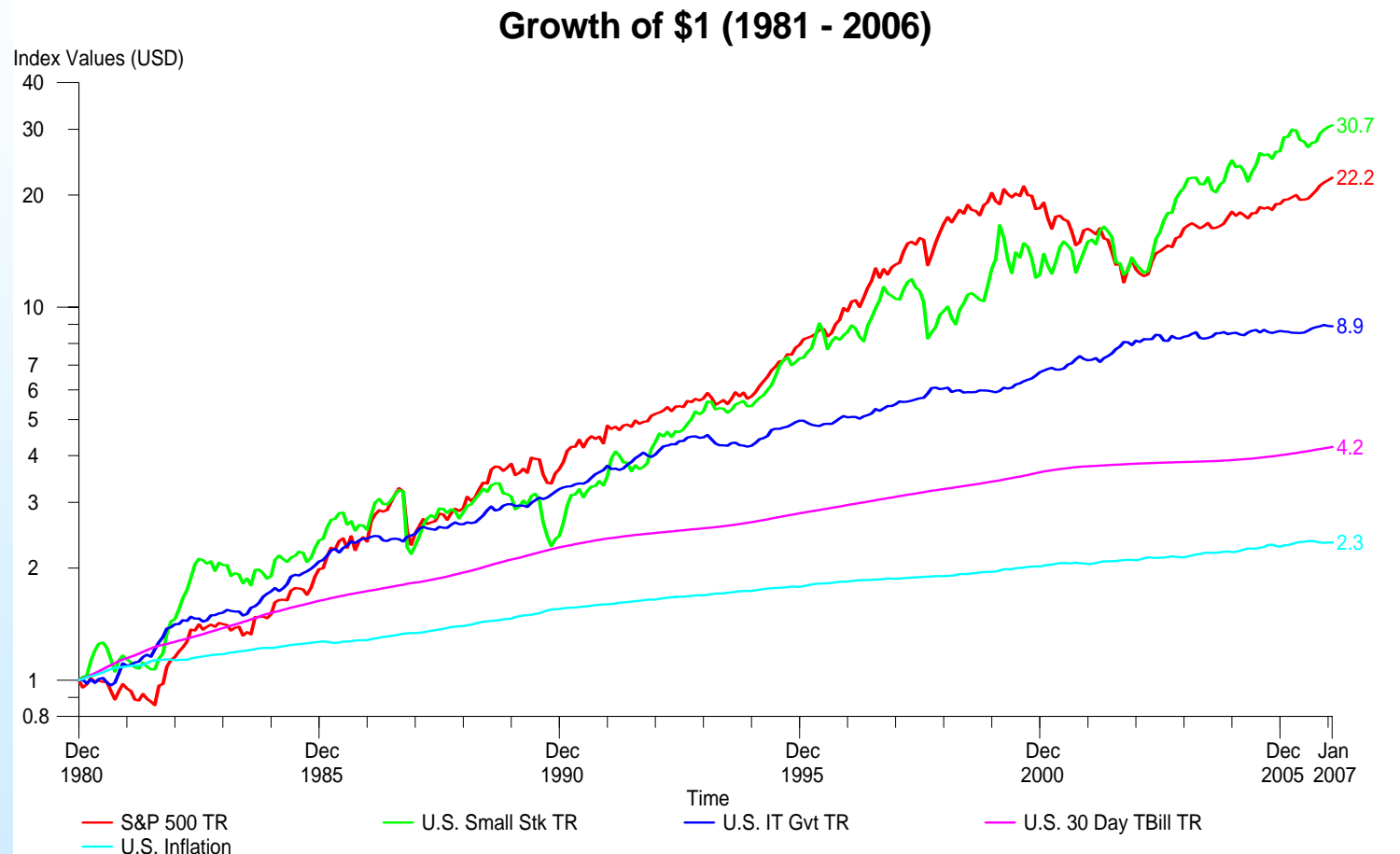


# Investing Principles - continued

6. Dollar-cost average versus lump sum
7. Re-balance your portfolio periodically
8. Adjust your allocation to equity and fixed income as you get older – but don't become too conservative!
9. Monitor your performance (or your advisor's) versus benchmarks



# Importance of Equities



# Any Questions?



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