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Closing in on retirement

Financial experts offer 10 tips for reaching goals in 10 years

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BOSTON - People expecting to retire in 10 years are frequently behind the eight ball.

Few, say surveys and pundits, have saved enough money to kick back in 2015 and enjoy a life of leisure. But you don't have to be a procrastinator, sprinting to retirement and hoping against hope to have enough money for cruises and grandchildren.

To be sure, it won't be easy. Indeed, only half of households with income between $50,000 to $99,000 have adequate retirement savings, according to one survey. But it won't be impossible. Consider, for instance, that Americans went from sending a chimpanzee into sub-orbital space to putting a man on the moon in less than a decade. Surely, if we can do that, you should be able to retire in 10 years.

Here's what experts say you have to do to reach your goal.

1. Plan, plan, and plan: If you haven't done so already, it's time to start planning. ``Ideally, it is best for people to start planning much earlier than 10 years prior to retirement,'' said Joe Hearn, author of *If Something Happens to Me*.

First, put details in your plan. ``If you ask the average person how much money they will need to fund their retirement or what they plan on doing during their retirement, they come back with pretty vague responses,'' he said.

The good news is that the 10 years before retirement can be a golden time as well. People are in their peak earning years and many earlier life expenses, namely children and house payments, are either not an issue or significantly reduced. Moreover, people are in a ``now-or-never'' mind-set to tackle the last big hurdle -- saving enough for retirement.

2. Crunch the numbers. ``It's better to know now whether your goal is reasonable or not,'' said Rande Spiegelman of Charles Schwab.

His reality check involves the following three steps:

• Expenses: How much will you spend in retirement? To be safe, figure you'll need as much in retirement as you did before retirement; some expenses may go away, others may take their place. Remember to factor in inflation.

• Nest Egg: How big of a portfolio do you need to support your spending goal? To have a high probability that you'll sustain your lifestyle, adjusted for inflation over a 30-year time horizon, you should target a portfolio roughly equal to 25 times your first-year withdrawal amount.

• Savings: How much do you need to save to achieve your objective? Take into account what you've already saved, what you expect to earn on your investments, and calculate what you need to save between now and your target retirement date.

3. Expect the unexpected: It's easy, in some ways, to project future streams of income from pensions, annuities, Social Security, investment income, and retirement plan income. It's even easy to determine what your expenses might be.

``Don't forget to leave some room for the unexpected -- increased medical expenses, death of a spouse, changes in the tax system or a few bad years of investment returns,'' said Susan Ransden, a senior manager at Deloitte Tax.

4. Save more: No matter how much you've set aside, or how much it may grow to, or how much your employer or Social Security will provide, save more, said Steve Leimberg, author of *Tools and Techniques of Financial Planning*.

``Use these last few years to save and invest every additional nickel you can,'' he adds, ``because two things are virtually certain: Your money will not earn what it was projected to earn after taxes just a few years ago, and food, clothing, shelter and lifestyle will cost more than you expected or projected.''

5. Use tax-deferred savings vehicles. There's nothing quite like tax-deferred savings accounts, said Ed Slott, author of the *Retirement Savings Time Bomb and How to Defuse It*. His advice: Put away as much as possible in your 401(k) and Roth IRA, if you can do both.

6. Diversify your portfolio. Those nearing retirement are more likely to invest in just one or two asset classes. For example, 30 percent of workers age 60 or older have most of their money invested in employer stock. Investors should take advantage of the online education, tools and third-party advice that many employers now offer, which can help them choose an investment mix that is well diversified and matches their investment risk tolerance.

If you don't create a mix of stocks, bonds and cash that's right for you based on years to retirement, life goals or risk tolerance, your portfolio could have too much risk -- or too little.

7. Get smart. One-third of current retirees say they wish they'd educated themselves about different retirement savings options, according to Allstate's Retirement Reality Check. What's more, one in five seniors who admit to being unprepared for retirement say their biggest concern was that they didn't understand investing.

It's important to research and learn about investments, said Rebecca Hirsch, an Allstate spokesperson. Find out which savings vehicles will help you save more money for retirement over a shorter time frame, or protect the money you've already saved from market fluctuations. ``It's not too late,'' Hirsch said. ``Ten years is better than 10 months from retirement.''

8. Get advice. Everyone has his or her own unique goals, risk tolerance and existing savings, said Scott Budde, a TIAA-CREF managing director of investment management. Even among a particular age group these factors can vary greatly. ``So we find that `one-size-fits-all' blanket advice often does not meet the needs of a particular person,'' he said. His suggestion: Seek personalized advice tailored to your specific situation.

9. Get real (returns). Time was when you would use simple average stock and bond market returns to calculate your investment goals. Stocks have risen on average 12.5 percent since July 1932 and bonds have gained on average 5.5 percent, said Ibbotson Associates. But in reality, stocks behave much differently, rising 54 percent in their best year and falling 35 percent in their worst year.

That's why most experts, including Susan Hirshman, managing director JPMorgan Fleming Asset Management in New York, recommend using a ``Monte Carlo simulation'' to predict whether you will build a sufficient nest egg.

The Monte Carlo simulation runs your portfolio through thousands of different economic and market scenarios, giving a range of outcomes that offers a more realistic view of whether or not you're on track.

10.Get a life (in retirement). Odds are that if you retire at age 65, you'll enjoy two decades of retirement. That's why dozens of experts suggest spending the 10 years prior to retirement thinking long and hard about what you'll do with all that free time after you retire.

Several books that can help you think about how you will spend your time in retirement include: *Live Long & Prosper* by Steve Vernon, *Looking Forward* by Ellen Freudenheim and *Prime Time* by Marc Freedman.

Enjoy the next decade.