

# Considering early retirement?

Questions to help you plan your retirement savings By Mitchell P. Zurich

**M**any people dream of early retirement. They dream of things they would like to do, vacations to take, golf games to improve, more time with family, and the list goes on and on. Do you feel that way? Is early retirement an option for you or just a dream?

There are questions that need to be asked and truthfully answered before this dream becomes a reality.

We begin with the two most important questions: "How much do I need to have saved to retire early?" and "How many years am I expected to live?" Depending on your age and the age at which you want to retire, the answers can differ dramatically.

People always feel they can live on less and still live comfortably. Remember, when you retire, you will have a lot more time on your hands, time you may use spending more than you can afford.

With our life expectancy growing, let's suppose you have another 50 years to live. Currently, you are making \$150,000 per year, but you think you can live comfortably on \$100,000 if you retire. Assuming a 6 percent return on retirement savings, you will need at a minimum \$1,584,310 of savings. However, a person with 20 years to live, assuming a 6 percent return on retirement savings, needs a minimum of \$1,166,185.

Of course, it's not that simple. There are many other questions to be asked. Do you have children? If so, have you saved for their college education? I don't have to tell you the cost of a college education is increasing every year. The average cost of a public university in 2005 is \$10,810. It is expected to increase to \$13,797 by 2010 and to \$17,609 by 2015.

Perhaps you've been saving for retirement and your child's college education. The next question, however, could prevent you from retiring early. "What about health insurance if I retire early?" Today, most employers subsidize the cost of health insurance. At retirement, you will be responsible for the entire cost. The average cost for a single person's comprehensive health insurance is between \$175 and \$300 per month. You do have a number of options, though. By doing a little research, you can still retire early, with health insurance, and do so economically.

We move on to your house. Should you pay off your mortgage? It would be a good



idea to pay off any expensive credit cards or auto loans first. If you have enough money left, you could pay off your mortgage. Before doing that, find out how much you are making on your investments and the interest rate you are paying on your mortgage. If your investments are averaging 10 percent and your mortgage is at 5.5 percent, keep your investments in the market and continue paying on your mortgage.

Look at your home and its condition. Will it require any major repairs in the near future? Do you have plans to replace your car(s) soon? If so, it would be easier to handle these expenses before you retire rather than when you might be forced to pull additional money out of your savings.

Based on the above example, with 50 years to live, a person with \$1,584,310 in retirement savings hoping to live at \$100,000 per year may see those savings dwindle quite rapidly.

What to do? The most important thing is to live below your means and save on a regular basis. It's that simple. With credit cards so easily accessible, the media telling us we need all this stuff and others telling us we

deserve the good life, it is easy to get deep into debt. Early retirement then is only a dream and will probably never be an option.

Of course, the younger you are and the earlier you start saving, the sooner you can have quite a nice nest egg when you retire. Be diligent and consistent in your savings. Maximize your 401(k) plan and read all you can on the subject.

In the end, it all depends on how important early retirement is to you and what type of planning you do. Nobody is going to force you to save for retirement. However, with a little research, a lot of hard work and a plan, you can achieve the goal of early retirement. See you on the beach!



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