

Charlie Retires and Puts His Savings to Work

The first step toward a successful retirement is saving the money to pay for it. The second step is structuring your retirement savings plan so your money will last the rest of your life. Let's see how Charlie Connors is doing it.

Setting the Stage

Charlie, a supervisor at a large manufacturing plant, started investing in his retirement savings plan 30 years ago—back when these plans first began. He saved as much as he could and invested wisely. Now his nest egg amounts to \$500,000. Charlie just retired at age 65 and rolled his savings into an Individual Retirement Account (IRA). That will keep his tax-deferred status going until he spends the money.

Charlie wants a secure income stream throughout his retirement, so 65% of his IRA is in intermediate-term government bond funds. Charlie also wants his retirement assets to stay ahead of inflation—which he anticipates will be around its historical average of 3% a year—so 35% of his IRA is in conservative stock mutual funds.

Making the Plan

To help with his planning, Charlie spoke with a qualified financial advisor—and used helpful online tools to determine his strategy. Based on the size of his nest egg, his estimate of a 7% return and the money to last for 30 years, Charlie plans to withdraw \$27,442 per year. Add Social Security, plus income from other investments, and Charlie should be able to look forward to a comfortable retirement to age 95.

This hypothetical profile is for illustrative purposes only.

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