

## FEATURE

# Get a handle on funds with advice of experts

By Julie Asher  
Catholic News Service

Financial planning for your retirement means the difference between enjoying one's golden years and having to scrape by.

When it comes to planning, prospective retirees must prepare for an extended life span, the effects of inflation, future taxes and health costs and changes in life circumstances.

But many Americans really don't want to think about their retirement, said Louise Piazza, a senior program specialist on economic security with the American Association of Retired Persons in Washington.

"We say that people spend more time planning for a two-week vacation than they spend planning for their retirement," she said. "People tend to think they are about 10-15 years younger than they are. Baby boomers, in particular, do not want to think of themselves as retiring. To confront those issues of retirement is to say I'm getting older."

The idea of "getting a handle on your money" can be so overwhelming that many people "just don't do anything," she said, but "it's never too late to start planning."

First, to figure out how much you need to put away through savings, investments and pension funds or to determine if the money you've already socked away is going to be adequate, you need to think about the lifestyle you want for retirement.

For example, deciding whether you want to be near a golf course in North Carolina or you would be content to have a condo in the town where you live now will "drive how much money you'll need," Piazza said.

Remember, your future will cost more.

Inflation will make what you save today buy less tomorrow as prices for goods and services continue to increase.

Inflation through most of the century has averaged 3 to 4 percent a year, but it has been as high as 12 percent, said Piazza. In 1990, a pound of regular coffee cost \$2.97, the average car was \$15,900, and a basic home was \$122,900. In 2010, the same pound of coffee will cost \$6.50, the car will be \$34,840 and the typical home will go for \$269,300.

Piazza also stressed that longevity also must figure into your planning. People are already living far longer than their predecessors, so you may need to stretch your money out over 25, 30, 35 years.

A tool called "Ballpark Estimate" will help you calculate what you are going to need to live the way you want in retirement. It's available from the American Savings Education Council ([www.asec.org](http://www.asec.org)).

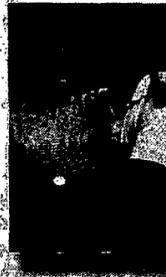
It's a step-by-step work sheet that asks you what annual income you will want, what income you expect to receive from Social Security, employer pension, part-time income and other income sources, and what your savings totals to date.

Piazza said there are four main sources of money in retirement: Social Security, pensions (either a 401K or a defined benefit plan), personal savings and investments, and work.

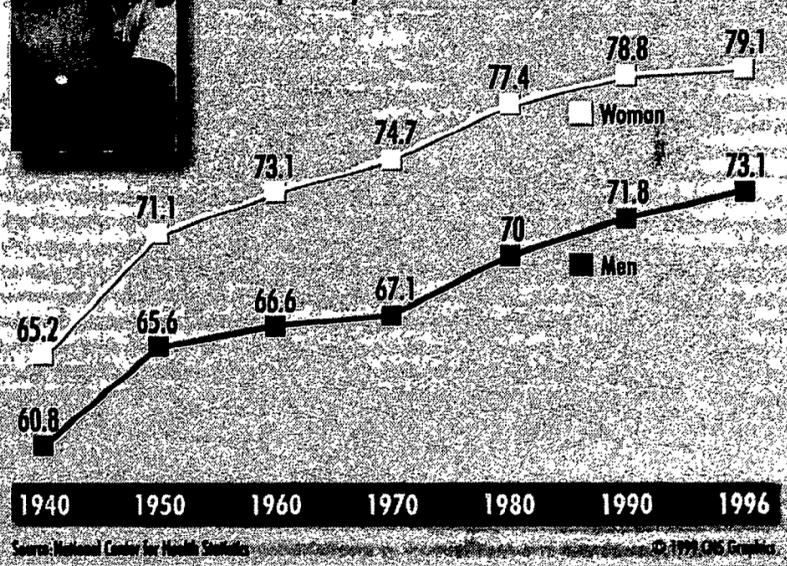
"Within five to 10 years of retiring you should have a pretty good idea of what your monthly income is going to be from Social Security and pension (funds)," she added.

Currently Social Security pays the average retiree 40 percent of his or her pre-retirement earnings, but over time that may fall to 20 percent, Piazza noted. To find out

## Living Longer



Women and men in the United States are living longer, although women on average have longer lives. Life expectancy at birth, 1940-96.



what your Social Security benefits will be, call the federal agency at (800) 772-1213 for a free statement.

Your employer should be able to provide you with figures on what you can expect to get from your pension. If you have a 401K, Piazza noted, "you decide what to invest in, stocks, bonds, whatever."

Beyond investments in the stock market, people also need to have savings, she added, yet Americans clearly are spending more than they should.

Another factor to consider in planning is that your needs during retirement will change. You may require nursing home care or assisted living.

Vashista Bhaskar, a professor of finance

at the Catholic-run Duquesne University in Pittsburgh, offered these tips for getting started on a financial plan:

- Make a good estimate of your net worth and do this annually as you move toward retirement.
- Get more conservative in your investments.
- Concentrate on estate planning and tax planning.
- Look at your overall insurance situation, including life, health, disability and long-term care, which "becomes more vital as you get older."
- Start to slowly move about 10 percent of your funds each year from the stock market to more conservative investments.

## Caution needed to play the sweepstakes game without losses

By Patricia Zapor  
Catholic News Service

The oversized envelope promises riches beyond your dreams.

"Guaranteed prize winner."

"Reply immediately to improve your chances."

"Official winner notification."

What the envelope's contents won't say quite so clearly, however, is that you probably stand a better chance of being struck by lightning than of being the "guaranteed winner."

There are indeed some huge prizes being awarded through legitimate sweepstakes promotions. But, there are far more phony or, at best, misleading contests, sweepstakes and "give-aways" enticing people into buying unwanted products and sending money to scam artists.

Congress, the U.S. Postal Service, attorneys general from at least a dozen states, consumer organizations and lobbyists for direct mail businesses are among those trying to crack down on unscrupulous or outright deceptive sweepstakes programs.

In August 1999, the U.S. Senate passed a bill that would require sweepstakes sponsors to include "clear and conspicuous" messages in mailings telling participants that no purchase is necessary to enter or win a sweepstakes. Violators could face a fine of up to \$2 million.

In hearings about the legislation, Sen. Susan Collins, R-Maine, said the four largest legitimate sweepstakes companies send more than a billion mail solicitations each year. Dozens of smaller companies send out an estimated 100 million more offers and take in \$40 million in sales, according to Collins.

That means each year, thousands of people buy something or send in a fee they think they need to pay in order to claim a prize they believe they have won.

Ongoing lawsuits against some sweepstakes companies have highlighted stories of people who were so convinced they have won a valuable prize that they travel across the country to claim their winnings, only to learn they misread the material.

In testimony to the House Government Reform Committee, Chief Postal Inspector Kenneth J. Hunter described recent investigations into direct mail and sweepstakes companies.

Typically, according to Hunter, the mailings came in official-looking envelopes, bearing seals resembling government emblems. Some told recipients they had only to send in a "transferral fee," "acquisition fee," "release fee," "redemption fee," or

"mandatory processing fee" in order to claim their prize.

After money was sent to the "claim centers," some companies disappeared, only to reappear under other names in other states, Hunter said. Other companies create intricate rules disqualifying entrants who submit their claim in the wrong envelope, for instance.

Besides the actions Congress is taking to help protect consumers, the U.S. Postal Service is teaming up with the American Association of Retired Persons, the Federal Trade Commission, the Department of Justice, the Federal Bureau of Investigation, the Securities and Exchange Commission and the National Association of Attorneys General to try to make consumers more aware of how to avoid being taken in by unscrupulous sweepstakes and contest pitches, according to Hunter.



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