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You're in the home stretch

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Something odd happens when people turn 50 years old. They realize often for the first time that they have to plan for retirement.

"The 50s is that decade where the light bulb goes off," said Kay Feagles, a certified financial planner and broker with Raymond James Financial in Canton.

Financial experts say that, by the time a person hits 50, retirement planning should have been happening for at least two decades, though obviously, the intensity should pick up in the last 10 to 15 years before retirement.

But Feagles doesn't see many who have plotted and planned for years. "That's a rare, rare bird," she said. "Most of my 50-year-olds recognize it and say, I'm behind the eight-ball.'

"They've been spending money, raising kids, buying houses," she said. "It's always been "now, now, now, me, me, me.' "

Gary Harloff, principal of Harloff Capital Management in Westlake, said his clients usually come to him for the first time when they're about 50. They haven't done much high-octane planning and now they're getting serious.

Consider that at least half of workers in this age group are in sorry shape. In a study released in April by the Employee Benefit Research Institute and American Savings Education Council, 48 percent of 45- to 54-year-olds had less than $100,000 in assets, not counting their homes. One-fourth of them either didn't know their worth or didn't answer.

Only 10 percent reported assets of at least $250,000, which starts to get in the ballpark of the minimum necessary at this stage.

Feagles said her typical new client in his 50s has $100,000 to $150,000 in his 401(k). "Some of them have far less than that.

Even at $100,000, they're woefully behind."

Whether you're on track for retirement or have only recently started sav ing, the 50s rep resents a whole new ballgame. Financial plan ners say there are a number of is sues that people in their 50s should be dealing with:

Realize you probably still have a long time to live.

People in their 50s and 60s mis takenly think they're no longer long-term inves tors. But someone who's 50 may have 30 or 40 years to live.

"People say, I don't have as much time. I don't have time to weather a storm,' " said Douglas Sockman, a Cleveland certified financial planner and stockbroker. "But for some of your money, it's long-term investing all over again." Anything to be invested for 10 years or more is very long term.

Sockman pointed out that national actuary tables show that people who were age 65 in 2000 should live to age 80. That life expectancy estimate has been increasing by about one year for every decade that passes.

And of course, that's just the average life expectancy. "If you're planning on age 80, what if you live to 90 or 95 or 100?" Sockman said. That's a long time to plan on still being in the market.

Understand that you still need growth to survive.

Feagles said she often has to lure people away from conservative investments that are all wrong.

Often they've pushed most or all of their money into low-risk and low-paying investments such as CDs and bonds.

But most people need serious growth in their 50s and 60s because they haven't saved enough, Feagles said. They need the average market returns generally 8 percent to 11 percent a year to have a shred of hope of staying out of poverty. Even someone who has enough money to retire can't stick with just measly CDs.

Investors generally should have 50 percent to 70 percent in stocks at this stage.

It's a battle Feagles fights frequently. "I say, Yes, you lost some of your principal. But how are you going to finance the next 30 to

40 years, earning 1 to 3 percent on CDs, when you consider taxes and inflation?'

"You need at least 5 percent just to break even," she said. "I try to help them understand."

Harloff said many people in their 50s are in bonds, when they absolutely shouldn't be. "Bonds will probably lose money from here on out," he said. "It would only make sense if you buy it and hold it for 10 or 20 years."

Carefully evaluate how much you expect to need in retirement. One in 10 workers believes she will need less than 50 percent of her pre-retirement income to live comfortably, according to the Employee Benefit Research Institute and American Savings Education Council study. About 28 percent think they will need 50 percent to 70 percent.

Actually, retirees generally need 70 percent to 80 percent of their pre-retirement income to live reasonably comfortably, the study said.

Part of the faulty math occurs because people automatically assume they will be in a lower tax bracket when they're retired, Sockman said. "But they lose the deductions for the kids and the mortgage, so they may end up in the same bracket," he said.

Look hard at estimates for Social Security and your pension. Surprise: They're in future dollars.

Sockman said people who have looked casually at their pension, Social Security or public employee retirement plan may feel overconfident if they don't realize that the numbers are in future dollars because the amount looks bigger than what it actually will be.

So with Social Security, someone in his mid- to late 50s who expects to begin drawing Social Security in about nine years might think he can count on $1,000 a month. But that's only about $750 a month in today's dollars.

Don't feel like you have to pay for your children's college educations at the expense of saving for retirement.

While parents may feel they owe their children a college education, some financial experts say the best gift parents can give is to not be a burden in retirement.

There are certainly options available for college expenses that aren't available for retirement expenses. Among them: Financial aid packages, student loans and expecting the student to work part time to defray expenses.

"There isn't a right answer" for how families should handle paying for college instead of contributing to retirement, Sockman said. Paying for a child's education is an emotional issue. "If that's what lets them sleep at night, good for them . . . It's different for everybody."

Get back in the market now.

Don't try to time the market. If you do, you will almost surely guess wrong and pay for it financially.

"I think the average person is still afraid of the market," Harloff said. "They missed all of last year." The Standard & Poor's 500, for example, gained 26 percent last year.

Based on what he hears from investors, he believes most people will stay out while stocks are lower and wait until prices have risen dramatically before they get back in. "They get out low and buy high," Harloff said. "Their timing is all wrong."

In short, stocks seem to be the only thing people hate to buy cheap and love to buy when they're more expensive. Smart investors buck that mindset.

Buy long-term care insurance.

In their 50s, people should still be in good health. But they're close enough to potential problems that nursing home expenses become a big fear.

"That's the fastest way I know to drain an estate," Feagles said.

A person in good health can get "the Cadillac of coverage" for about $800 a year, she said.

Yet only about 18 percent of people age 55 or older have long-term care insurance, according to a new survey by American Express Financial Advisors.

Be super-smart about where you put your money. It's not about just deciding among investments in your 401(k). Most likely, you should be putting some money someplace else besides your 401(k). Put your money where it makes the most tax sense. People should invest in their 401(k) up to the percentage where it's matched by the employer.

If the person is eligible for a Roth IRA, he should contribute the maximum. People age 50 and older can contribute up to $3,500

this year to an IRA, up to $4,500 next year and up to $5,000 in 2006.

Older investors should also look at tax-favored stocks and municipal bonds. Gains on stock holdings won't be nearly as painful at tax time because of the tax cuts that took effect last year.

Save every dime you can. This is the home stretch.

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