Q&A

With Alicia H. Munnell

Alicia H. Munnell is the Peter F. Drucker Professor of Management Sciences at BC's Carroll School of Management and director of the Center for Retirement Research at BC.

Paving a Smooth Road to Retirement

Q. ***What are the keys to a successful retirement?***

A. First, have your finances in order, and second, find activities to structure your time.

On the financial front, the keys are:

- Keep spending to a sustainable level.
- Plan to work until age 70 if possible.
- Remember your house is part of your portfolio. Tap equity through downsizing, a reverse mortgage, or property tax deferral programs.

On the human front, use your later working years to try out activities (hobbies, volunteer work, etc.) that can help give you meaning and satisfaction in retirement.

Q. ***What considerations are essential to a sound estate plan?***

A. Three considerations for having a sound estate plan:

- Your children think what you leave them reflects how much you love them. Unless you have a compelling reason to do otherwise, leave equal amounts to each child.
- Use this opportunity to make larger contributions to organizations that you have supported throughout your life.
- Carefully balance the costs and complexities of trusts and other instruments against the amount of money they may save.

Q. ***How much should I save for retirement?***

A. It all depends on when you start and when you finish. As the table below shows, even if you start late, a savings rate of 14 percent could be sufficient if you plan to work until age 70. But saving for retirement is harder now than it once was because interest rates are low.

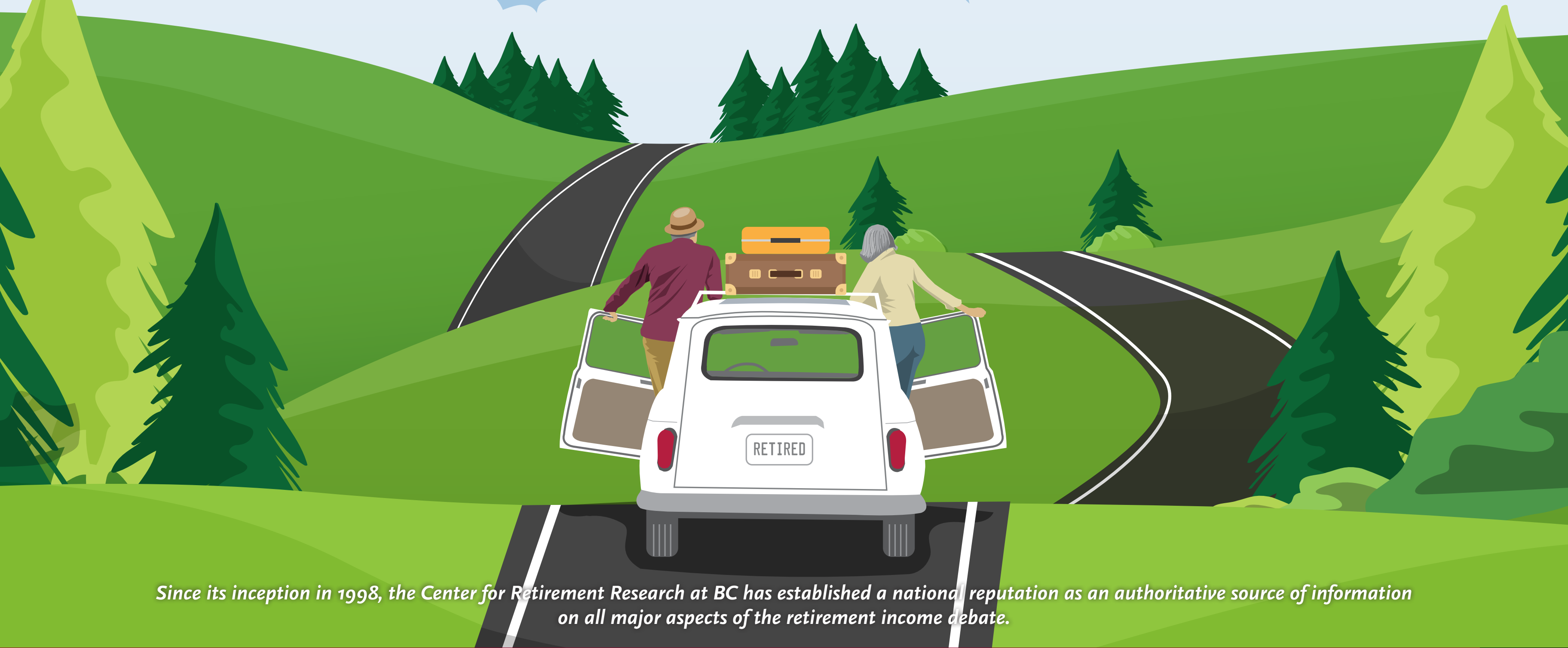
RETIRE AT: (Years)	START SAVING AT: 25	35	45
62	17%	29%	56%
65	12	19	35
67	9	14	25
70	5	8	14

Q. ***How do the new tax laws affect retirement and philanthropy planning?***

A. Now, many people who used to itemize their deductions, including their charitable contributions, will find it advantageous to simply take a standard deduction. However, they can still make tax-free charitable contributions through their mandatory distributions from a traditional IRA.

Q. ***Are annuities an advisable way to boost my retirement income?***

A. Economists love annuities because they provide a higher level of income and a guarantee that income will not be outlived. Also, distributing accumulated balances through monthly checks gives retirees permission to spend down their nest egg. Otherwise, evidence suggests that people will be too cautious about spending out of fear they will outlive their resources.



Since its inception in 1998, the Center for Retirement Research at BC has established a national reputation as an authoritative source of information on all major aspects of the retirement income debate.