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A glutted guessing game:
The 'right' amount is an emotional, as well as an economic threshold

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For Boomers on the cusp of retirement, the \$64-million question is just that: How much money do you need to retire comfortably? For titans of industry, it may indeed be \$64-million, but most of us will be lucky to accumulate 10%, even 1% of that.

There's an entire genre of books devoted to this topic. Most are a tease since the authors are savvy enough to realize no one-size-fits-all number can possibly apply to people in widely varying circumstances. Lee Eisenberg's *The Number*, excerpted in FP Weekend last spring, was a breezy entertaining read. However, the closest "number" I could discern was not a hypothetical lump sum but a percentage of a nest egg. Whatever "number" you use, Eisenberg said you could safely withdraw 4% of it annually with little risk of outliving your money. That figure was adapted from certified financial planner William Bengen, who clarified that 4% was an initial withdrawal rate in Year 1, to be adjusted subsequently for inflation.

Soon after, Bengen published his own book on the same subject, *Conserving Client Portfolios During Retirement*. In it, he bumps the 4% up closer to 5%. Both books were preceded a year earlier by *The Savage Number*. In it, U.S. personal finance author Terry Savage describes "a personal and unique number" that is nevertheless "knowable." Her Web site at terrrysavage.com provides links to various calculators to help you find your own personal "number."

In Canada, financial advisor **Diane McCurdy** tackled the same theme in 2001 with *How Much is Enough?* -- later revised for the U.S. market. Her calculator at how-much-is-enough.com helps investors answer the same question.

When pressed on how much is "enough," McCurdy reluctantly gave me a minimum rock-bottom figure of \$450,000 -- for those so frugal they can live on whatever pittance the government sends their way in old age.

She also provided several larger numbers, ranging from a "moderately wealthy" \$1-million to a "comfortably wealthy" \$2.5-million and a "very wealthy" \$5-million and beyond.

Into this glutted field comes a new Canadian entry: *Am I Going to be OK?* It's self-published by Francis D'Andrade, formerly a marketing director at Altamira Investment Services Inc. The title reflects the most common question consumers had in focus

groups D'Andrade conducted at Altamira. The cover graphic of an emaciated piggy bank reminds us that too many retirement nest eggs will be far from secure.

For D'Andrade, the number is a moving target. He cites one U.S. survey that found no matter how much money they had, investors felt they needed twice as much: Those with \$500,000 thought \$1-million would do the trick; those with \$10-million felt they could get by on \$18-million, which D'Andrade finds "alarming."

People with more modest numbers may be relieved to hear that 29% of those with \$10-million found such wealth brings more problems than it solves. A third in that group said having enough money is a constant worry.

D'Andrade puts his finger on the problem when he observes "financial security is not just an economic threshold -- it is also an emotional threshold."

He has a problem with the old rule of thumb that retirement income should replace at least 70% of your working income. He defers to Professor Moshe Milevsky of York University, who says a figure 30-times your first-year retirement portfolio value has a 99% probability of lasting a lifetime. He goes on to say, "For example, someone who has first-year retirement expenses of \$30,000 needs a \$900,000 pre-tax nest egg to feel 99% certain that he won't outlive his money."

D'Andrade says we should determine the amount, not the rate, of our future withdrawals -- knowing that the medical expenses of old age will likely mean dipping into principal eventually.

Even if there were one universally applicable number, you can bet none of these authors would agree on what it is. As Peter Koven reported recently in the Post's series on The Boomer Effect, the same Professor Milevsky plugged numbers into 15 different online retirement calculators to see how consistent they were. None came up with the same result.

That would surprise none of these authors, least of all D'Andrade, who makes a distinction between wealth and prosperity. The title of his 11th chapter sums it up: "Wealth is About More; Prosperity is About Enough."