

MONEY

SAMPLE

MAKE YOUR MONEY LAST...



PLUS

HOW TO

SELL YOUR HOUSE FOR A SWEET PRICE

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SAVE BIG AT THE PUMP

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SLASH YOUR SMARTPHONE BILLS

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...AND LAST

THE SMARTEST MOVES AND BEST INVESTMENTS AT EVERY AGE P.60

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SAMPLE

MAKE YOUR MONEY LAST

BY AMANDA GENGLER,
ANNE C. LEE, AND DONNA ROSATO

PHOTOGRAPH BY TRAVIS RATHBONE

THE ULTIMATE MEASURE OF FINANCIAL SUCCESS isn't a fat salary or a portfolio of hot stocks. It's having enough money to support the retirement you've dreamed of, no matter how long it lasts. But after a financial crisis, real estate bubble, and the dawning realization that the go-go returns of the '80s and '90s were anomalies, that goal may feel out of reach. It isn't if you plan right. Making your money last is a lifelong pursuit that starts with saving steadily and ends with spending down thoughtfully—that's what this package will help you do. Plus, in the story that follows, you'll see how to invest for the marathon ahead.

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LONG RUN
PAGE 70

An hourglass with a wooden frame is filled with US currency. The top bulb is packed with coins, and a \$100 bill is visible at the top. The bottom bulb is also filled with coins and a \$100 bill is visible at the bottom. The background is a solid blue color. The word "SAMPLE" is written in white, bold, sans-serif font inside a white rounded rectangle on the left side. The words "AND LAST" are written in white, bold, sans-serif font at the bottom, with a teal-colored underline that loops around the text. The words "(AND LAST)" are written in black, bold, sans-serif font inside a teal-colored bracket at the bottom right.

SAMPLE

AND LAST

(AND LAST)

MAKE YOUR
MONEY LAST...



...AND LAST

STAGE 1

STARTING OUT SMART

SAMPLE

BUILD A STRONG FOUNDATION

When you're young you want to be aggressive about putting money into stocks, and cautious about how much you shell out for a home. You'll end up the richer for it.

AGE 22

First job. Chances are you'll be enrolled in a 401(k) retirement plan automatically (55% of companies do it), but don't settle for the typical 3% default contribution rate.

Workers 20 to 29 who don't save enough to get full employer match: 43%

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HOW TO CREATE LIFELONG SAVINGS HABITS

THE BIGGEST ADVANTAGE

you have is time: Even small moves pay off, thanks to the power of compounding. Start by saving at least enough to earn the match in your workplace retirement plan, then aim to save 12% to 15% of your income a year (including any match). To get there, adopt a savings mindset from day one.

BE 100% INDEPENDENT

In a recent survey for the National Endowment for Financial Education

(NEFE), 42% of those under 40 reported getting financial help from their parents as adults. What's the problem with such well-intentioned aid? With a parents-as-the-backup mentality, you may struggle to get on your own feet financially. "You feel less responsibility to take the steps necessary to secure your future," says Tim Maurer, co-author of *The Ultimate Financial Plan*. Step No. 1: Build an emergency fund.

ACCEPT WHO YOU ARE

Research suggests that some have saver person-

25

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THE TRADEOFF

BUY LESS HOUSE THAN YOU CAN AFFORD

You may dream of a media room, his-and-hers walk-in closets, and a chef-worthy kitchen. But in 30 years, would you rather have another \$1 million in the bank or another 1,000 square feet of clean? Stick with a 2,000-square-foot house instead of a 3,000-square-foot McMansion, and invest the savings you reap from a lower down payment, smaller mortgage, and more modest upkeep. Granted, you're likely to buy and sell a few homes in three decades, but the tactic should remain the same. Buying one house below the max you can swing will keep paying off, especially if home prices lag stock returns, the historical norm.

AGE 25

Still not saving? Sock away \$150 a month and push it up with each raise. At 65 you'll have:

\$359,000

Total if you wait 10 years to start saving: \$237,000.

AGE 27

The average college-educated worker has switched jobs three times by this age. You may be tempted to cash out a small 401(k) when you go. Don't. You'll owe taxes and a 10% penalty. Roll it into a new 401(k) or IRA.

alities; others tend to be spendthrifts. If the latter, how do you learn self-control and good habits? Calculating what you need for retirement and doing a budget can help. "A key trait in successful savers is the willingness to create a plan," says NEFE president Ted Beck. (Try the tools at Mint.com for budgeting help.) And do a workaround by signing up for payroll deductions into a retirement plan and automatic shifts every month from a bank account to a mutual fund.

START HERE!

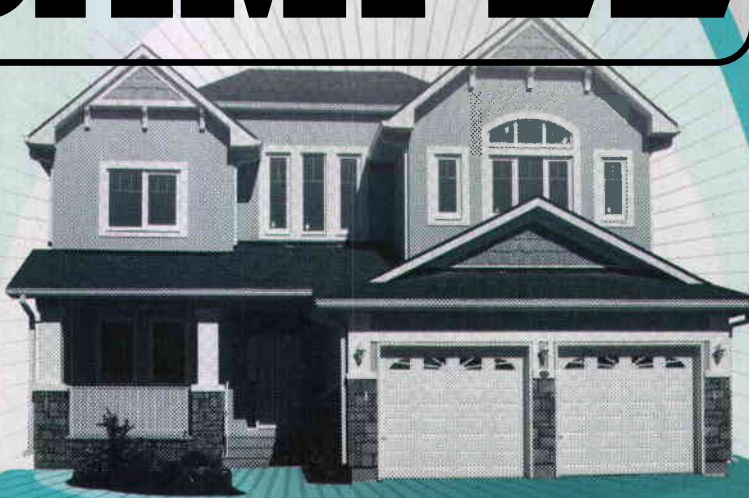
Want to stay on track? Follow this line of benchmarks and best moves.

SAMPLE

HOME, SWEET MODEST HOME

WHAT YOU'LL GET BY STICKING WITH AN AVERAGE-SIZE HOUSE AND INVESTING MORE MONEY.

THE SAVINGS	2,000-SQUARE-FOOT HOME	3,000-SQUARE-FOOT HOME
Price	\$239,000	\$389,000
Monthly mortgage payment	\$913	\$1,486
Monthly taxes and other costs	\$456	\$743
THE PAYOFF		
Smaller down payment	\$30,000	Lower monthly outlays
		\$859



TOTAL EXTRA MONEY AFTER 30 YEARS

\$1,016,800

NOTES: Median national list price, excluding foreclosures; assumes 20% down payment, 4% interest rate on 30-year fixed loan; other costs include insurance, taxes, and maintenance, and increase 3% a year; savings grow at 6% a year; deductible interest savings based on 25% rate. SOURCES: Trulia.com, Money calculations.

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AGE 30

How much you should have set aside for retirement:

0.5 times your salary

30

AGE 31

You got a big promotion. Don't be shy about negotiating your raise.

What earning \$65,000, not \$60,000, adds up to at the end of your career:

\$288,700

31

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33

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AGE 34

Taking time off to raise kids? If you'd been saving 13% of pay before a five-year break, you'll need to raise it to 17% to get back on track. **Solution:** Keep saving for retirement in a spousal IRA (\$5,000 a year max).

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THINK OLD

A recent study in the *Journal of Marketing Research* found that when young adults see aged photos of themselves, they're more willing to sacrifice today and save for the future. Absent such technology, use your imagination. Help it along by studying a parent or grandparent you most closely relate to (or by looking at photos).

CHANGE YOUR PERSPECTIVE

During this acquiring stage of life, you may feel as if everyone you know is getting more, faster. Giving to charity, even a

AGE 35

As you start investing outside your 401(k), pick index funds to limit fees.

Extra you'll earn by paying 0.25% of assets a year, vs. 1.25% over 30 years, assuming you're saving 9% of a \$50,000 salary:

\$51,500

small amount, can provide a reality check. "It is a great way of controlling our own sense of perceived deprecation and tendency to overspend," says Maurer. De-friend anyone who snickers that you're eating on a card table until you can save for a real dining room set.

DON'T DO THIS!

TAKE TOO LITTLE INVESTMENT RISK

PITFALL: Having come of age during a lost decade for stocks, some young adults are dubious of the markets. Nearly 20% of investors under 35 are unwilling to take any risk, a recent Investment Company Institute survey found. The problem with an all-cash approach is that your portfolio won't keep up with inflation. "Young investors have to balance market risk and inflation risk," says Maria Bruno, senior investment analyst at Vanguard.

FIX: Ease in. Putting 30% of your long-term savings in stocks is better than 0%. Eventually, that baby step may make you comfortable with a bigger stake. Another option: Save a lot more.