Retirement. Some of us it feel like it's so far off that we don't have to think about it. Some of us know that it's approaching and are worried about the status of our savings. Whether you're just getting started saving for your retirement or getting close to your golden years and need to make adjustments to your investment strategy, the trick is getting a handle on what you need to live a comfortable life and putting that plan in place. The good news is that by taking the time to work through these retirement exercises, you're already committed to securing your financial future and learning some of the key things to consider when it comes to *The New Rules of Retirement*.

CARMEN WONG ULRICH

WORKSHEET 4-1: HOW MUCH WILL I NEED?

When calculating how much you'll need in your nest egg, too many folks believe in a "magic number." What I hear most often is: "one million dollars to retire." However, the truth is that one size does NOT fit all when it comes to planning for retirement. How much you'll need to live your best life is based on you and your individual plans.

So, let's talk about the most basic new rule of planning for retirement – figuring out your annual retirement income needs as a percentage of your current income. For example, if you make $100,000 per year now, will you need that much to live in retirement? Probably not, you're likely only to need about 60-80% of that to live comfortably, but how much exactly depends on your personal situation. Answer the questions below to help estimate your personal percentage.

1. What is your total pre-retirement savings right now? ________________

2. What do you expect your post-retirement income and savings to be? ________________
(Will you completely stop working or will you have income to draw from after you retire? For example: from a trust or part-time job. Many retirees end up bringing in money by doing jobs and activities they enjoy. This added income could help reduce your monthly needs.)

3. Are you on track to own your home outright when you retire or will you still have a mortgage? ________________
(If you own your home it's an asset and you won't have to budget to pay a mortgage in retirement, which is likely to be one of your biggest expenses.)

4. How will you be taxed in retirement? ________________
(Your tax bracket may drop when you retire so your dollars could stretch a little further.)

5. How much will you be receiving in Social Security? ________________
(Your Social Security contributions – how much you've paid in determines how much you'll get.)

6. Will you have any dependents? ________________
(If you have to take care of elderly parents or adult children after you've stopped working, this can be a big expense.)

Now that you've reviewed some of these important questions, look carefully at your answers to estimate how these costs or savings will affect your monthly budget on a percentage basis and consider some additional factors. For example, if your mortgage will be paid by the time you retire you can trim 30% of your monthly living expenses from your retirement budget – that's huge. And if you won't need to save in retirement, you can trim another 10%. On the other side of the coin, take into account that you might want to help your kids through college, that can raise your expenses back up by 10%. If you factor in all of these variables, you might find yourself needing only about 60% of your current monthly income to live comfortably in retirement, making saving much more manageable.

Let's take this one step further to estimate how much you'll need to retire. Multiply your personal percentage (estimated above) by your annual income. Then add back about 20% of the result to account for taxes. Then multiply the total by 20-25 years to see how much you'll need.

Example: If you make $100,000 per year and need 60% of your annual income in retirement, you will need about $1.44 million to retire.

All it takes to prepare for retirement is the initiative to figure out what you need and the discipline to save.
If you put a plan into place, retirement doesn't have to seem so far out of reach.

WORKSHEET 4-2: YOUR INVESTMENT OPTIONS

Now you know how much you'll need to live, but in order to grow your money and fight inflation in retirement you'll need to invest your savings. So what are your options when investing and what should you keep in mind?

Match the terms listed below with the accompanying definitions to identify some common retirement investment products that could help you reach your goals.

A. Stocks
B. T-Bills
C. Bonds
D. CD's
E. Mutual Funds

1. ____ A type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.

2. ____ A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate. These investments are used by companies, municipalities, states and U.S. and foreign governments to finance a variety of projects and activities.

3. ____ A savings certificate entitling the bearer to receive interest. It bears a maturity date, a specified fixed interest rate and can be issued in any denomination. It is generally issued by commercial banks and insured by the FDIC. Its term generally ranges from one month to five years.

4. ____ A short-term debt obligation backed by the U.S. government with a maturity of less than one year. It is sold in denominations of $1,000 up to a maximum purchase of $5 million and commonly has maturities of one month (four weeks), three months (13 weeks) or six months (26 weeks).

5. ____ An open-ended fund, operated by an investment company, which raises money from shareholders and invests in a group of assets, in accordance with a stated set of objectives. These funds raise money by selling shares to the public. They then take the money they receive and use it to purchase various investment products.

Take a moment to compare your answers with the key below:

Answer Key: 1-A, 2-C, 3-D, 4-B, 5-E

As you can see there are a variety of different retirement investment options at your disposal, each with varying levels of risk. What you choose will depend upon your individual goals, time horizon and risk tolerance, so consider those as you plan your retirement investments. For example, CD's are a cash investment, and as long as they fall under FDIC limits, there is little to no risk. T-Bills are even less risky but offer small returns. Either product can be part of anyone's portfolio to protect and preserve what you've saved. While bonds present mid level risk, well-rated bonds have lower risks than stock market investments, and therefore offer more security. Stocks and mutual funds are market investments that bear higher risk and are long-term tools that you can use to use to grow your money.

While how you choose to invest your retirement savings is important, there needs to be a nest egg to invest – so no matter how old you are, begin saving for retirement as soon as you possibly can and take advantage of tax-deferred investment plans because these plans will allow your money to grow at rapid rates.

Investing does not have to be intimidating. Knowledge is power. Understanding the different products available will help you choose the right ones to achieve your retirement goals.

WORKSHEET 4-3: STRATEGIES FOR ALL AGES

Strategies for retirement investing depend on two things: how many years you have until retirement and your stomach for risk.

To see if you know the appropriate investment strategies for the different stages in life, take the quiz below. Match each scenario with the appropriate age range. Remember, some statements may have more than one correct answer.

A. 20's
B. 30/40's
C. 50-65
D. Over 65

1. _____ I can be a very aggressive investor.

2. _____ I'm not too worried about market dips as I still have plenty of time to make up for what I've lost and then some.

3. _____ I keep about 20% of my investments in the stock market.

4. _____ I can't afford to squirrel away much at the moment but every dollar I can put away counts.

5. _____ I keep at least 40% of my investments in the stock market.

6. _____ What I have to remember is to balance large contributions to my portfolio against other relatively new expenses in my life like kids or buying a home.

7. _____ At this point in my life, I will do better changing my spending habits than altering my investment portfolio.

8. _____ I invest at least 70-80% of my money in the stock market.

Answer Key: 1-A, 2-A/B, 3-D, 4-A/B, 5-C, 6-B, 7-C, 8-A

When it comes to retirement, how you invest is determined by how close you are to the golden years and how much risk you feel comfortable with. Those of you with time on your side can lean toward growing your money more aggressively rather than protecting it; you can start saving and investing with a higher risk strategy. As you get closer to retirement, focus on protecting what you have, rather than growing it. Be less aggressive and place your retirement funds in safer, liquid investments such as bonds and money-market accounts. For more tips on retirement, go to onthemoney.cnbc.com.

CONCLUSION

Congratulations! You have mastered the final stage of "The New Rules of Personal Finance," The New Rules of Retirement. If you've completed all the workbooks, keep them in a safe place for future reference and feel free to share them with your family and friends. If you haven't completed them all, download any of them at onthemoney.cnbc.com.

Workbook 1: The New Rules of Building Wealth

Workbook 2: The New Rules of Family Finances

Workbook 3: The New Rules of Borrowing

Workbook 4: The New Rules of Retirement

These workbooks will serve as your guide to living an extraordinary financial life!

Best always,

Carmen Wong Ulrich