

FINANCE

Looking Out for Yourself: Some Tips

By ERIC DASH

THE reminders are everywhere. You turn on the television and there's a commercial depicting a middle-age couple talking with a financial adviser about what they need to do to retire comfortably.

A money expert on her blog discusses the hows and whys of building a nest egg, starting right now. People you barely know ask, "Are you in your company's 401(k) plan?"

No one asked that question 50 years ago. Until recently, most Americans counted on their company for the bulk of their retirement nest egg. Now that responsibility is largely in employees' own hands.

"If you engage in your financial affairs, you have more control over your destiny," said Jeff Carney, president of Fidelity Personal Investments. "If you don't engage, who is going to look out for you?"

That in mind, here are some tips.

CONSIDER A HEALTH SAVINGS ACCOUNT, A MEDICAL 401(K)

Health Savings Accounts often publicize their medical and cost benefits. But their tax advantages can make them an attractive option for future retirees.

The plans make the most sense for healthier and wealthier people because they require taking on a high-deductible medical insurance. That means paying more out of your own pocket for health care expenses than with traditional coverage. But the financial benefits can be big for those who start saving when they are young.

"An H.S.A. provides you triple tax savings," said James Snyder, president of Great Lakes HSA in Cleveland.

Americans under 65, who have a high-deductible health care plan, can contribute tax-free to the new 401(k)-like account as much as \$2,700 this year for individuals and \$5,450 for families, or the amount of their deductible if it is less. The money can be withdrawn, tax-free, to pay for medical, dental and vision expenses, as well as a portion of qualified premiums for long-term-care insurance.

Meanwhile, the rest can be invested in stocks, bonds and mutual funds — and grow tax-free.

ANNUITIZE YOUR SAVINGS

It is no secret that the guaranteed income stream of traditional pensions is disappearing. Buying an annuity, however, can let you create the same effect on your own.

"The longer you expect to live, the more uncertainty you have with respect to making your resources last," said **Ted Mathas, a New York Life Insurance Company executive**. "Annuitization is the only way you can get a lifetime guarantee that you won't run out of money."

Still, you will want to lock up only a portion of your retirement savings. As a rule of thumb, first estimate how much money you'll need to cover your basic expenses. Add up the sources of guaranteed income, like Social Security and traditional pensions, and possibly, other dependable streams of money like payouts from government bonds. Then, let the income annuity fill the void.

THINK TWICE ABOUT BUYOUTS

Deciding whether to take a buyout can be difficult, whether you are a Detroit autoworker or Manhattan advertising executive. And for those contemplating retirement, the calculation requires more than just math.

"In retirement, you are thinking about health care and income," said John A. Challenger, the chief executive of Challenger, Gray and Christmas, a national outplacement firm. But you are also considering "what you are going to do with your life."

Mr. Challenger said that people must think long and hard about whether they are really ready to give up work. "A lot of people take the buyout and then a year or two later find they have not faced the issue of what to do next," he said.

SET UP BOTH A 401(K) AND AN INDIVIDUAL RETIREMENT ACCOUNT

If your company offers a 401(k) plan, join it, said Alicia H. Munnell, director of the Center for Retirement Research at Boston College. About 20 percent of eligible employees do not participate.

Each month, set aside as much money into your 401(k) as you can afford. This year, employees can sock away up to \$15,000 pretax, and anyone 50 or older can add \$5,000 more.

After maximizing their company's 401(k), Mark Rothstein, a certified financial planner in Los Angeles, advises clients to start building an I.R.A. The I.R.A. allows participants to contribute annually up to \$4,000 of pretax income, or \$4,500 more if you are 50 or older, and then pay the taxes only once the money is withdrawn.

With both types of retirement accounts, it is important to monitor your investments. And steer clear of company stock. "It doesn't make sense to have your nest egg in the same place your earnings are," Professor Munnell said. "When something goes wrong, people see not only their salary but also their retirement savings disappear."

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