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FINDING YOUR GOLF HOME

Steps to Retirement

How to make sure you have the green to finance your fairway dream

A decade ago, Buzz Pelland decided that when he reached 52, he would "do something different" with his life. Now he's 52, and he's doing it. The Akron financial planner had been phasing down his business, and he and his wife, Patti, also 52, have been spending two weeks a month at their three-bedroom villa on the fourth hole of the Wyndemere Country Club in Naples, Fla.

Pelland says he's able to make this lifestyle change because "since the day I started working in June, 1971, I've been saving and investing for retirement." He put his money in mutual funds and earned an 11% average annual return.

Whether you see yourself retiring to a golf community as the Pellands did, moving to an area where you can play year-round, or simply making golf vacations part of your retirement lifestyle, you need to begin planning early. "A 10-year time frame is good for starting to think about retirement," says Gayle Buff, a financial planner in Newton, Mass. You have time not only to refine your retirement visions but also to lay the financial groundwork to make those dreams a reality. That way, you'll have the flexibility to accommodate your goals as they change.

So start dreaming. And while you're at it, here are some steps you can take on your journey to retirement.

Ten Years Out
- List current retirement assets
- Estimate how long you'll be retired
- Develop a savings and investment strategy to make your money last

TEN YEARS OUT. Take inventory of your resources and create an action plan to guide you through the decade. Assess the assets and income you expect to have by retirement, such as your 401(k), individual retirement account, other investment accounts, home equity, and your pension or Social Security.

Don't forget to figure in the money you can save over the next 10 years. It may be too soon to pin down exactly where you'll live during retirement and what your expenses will be, but you can estimate how much income your assets can generate. Buff tells clients to assume that they'll live to 95. "You don't want to outlive your funds," she says. The average life expectancy for a baby boomer is more than 80 years.

The 10-year point is also the time to reassess your investment strategy. Ray Mignone, a Little Neck (N.Y.) financial planner, warns against becoming too conservative too soon. With life expectancies growing,

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planners now suggest a fairly aggressive investment approach even for those in their 50s. To make the most of your peak earning years as well as your "last chance" to invest for retirement, Mignone suggests "a well-diversified strategy." That means keeping the bulk in stocks, despite the volatile market, and the rest in real estate and high-yield bonds.

If your company's stock or options make up a big part of your portfolio, he suggests you diversify by selling some of the stock and exercising the options now. That can create some tax liability, but he thinks the reduced risk is worth the cost. "I hate to see anyone with more than 10% to 20% of their net worth in their company," he says.

Brent Kessel, a planner in Santa Monica, Calif., says you should become familiar with the rules of your pension plan. It's also good to begin setting up your estate plan. Start looking into long-term-care insurance, which gets costlier as you age. This is critical if you have a serious medical condition or if your family history suggests you may need extensive care later.

FIVE YEARS OUT. Do a reality check. Mignone runs the numbers on all his clients' assets and investments to get a fix on whether they're meeting their financial goals.

Five Years Out

- Envision retirement lifestyle and estimate costs
- Stay on track with reality checks
- Search for "forgotten" assets such as pensions

Haven't saved enough? "Don't do anything radical," such as invest in a hedge fund, says Sam Hull, a planner in Bedford, N.H. "The upside is great, but the downside is, too." It's more prudent to reduce expenses--or think about putting off retirement for a few years.

As part of this midcourse reality check, Buff has clients list their current expenses in three categories: fixed (mortgage payments); variable (utilities and food); and discretionary (entertainment and vacation). She factors in annual inflation of 3% and asks them whether each expense will rise, fall, or disappear when they retire. She also asks them to think of other costs they may incur in retirement, such as buying a home.

TWO YEARS OUT. Now focus on how to organize and tap your retirement income in the most convenient, cost-effective way. If you have a 401(k), you have three options: rolling the money into an IRA in a lump sum; taking the money as an annuity; or leaving the account with your employer, if that's allowed.

Two Years Out

- Don't be too conservative
- Assume annual inflation rate of at least 3% in your plan
- Consolidate assets into one account

Revisit your assumptions about your pension and Social Security benefits. In the course of the past eight years, changes, such as a promotion, could have drastically altered your benefits. You may also want to pin down exactly what your Social Security payouts would be given the specific date you retire. Learn all the rules that apply to tapping your employment benefits.

Start consolidating your assets. Even if you have several mutual funds and IRAs, many brokerages can provide you with basically the same investments in one account. This makes record-keeping easier and simplifies monitoring of your assets and spending.

-- ONE YEAR OUT. Fix a retirement date and begin implementing your decisions. Your checklist should include a system for withdrawing from your retirement accounts. Arrange to have enough cash to pay expenses for a year so you're not forced to sell securities if the market falls. Going on Social Security? Apply for benefits six months ahead of your retirement date. If you haven't done so, begin looking for affordable health insurance.

One Year Out

- Choose dates for receiving pension, 401(k), Social Security, Medicare
- Create cash/liquid fund to cover expenses for first year or two
- Create payout plan to assure needed income and preserve principal

Anxieties may build as you count down to retirement. Just remember that if you prepare well, a golf green is waiting at the end.