

CONSUELO MACK | WEALTHTRACK



Program #1302
Broadcast: July 1, 2016

On this week's show personal finance guru Jane Bryant Quinn discusses the topic of her new book, *How to Make Your Money Last: The Indispensable Retirement Guide*, with a particular emphasis on helping women, who live longer with less financial security than men.

Jane Bryant Quinn
Author
How to Make Your Money Last

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CONSUELO MACK: This week on WEALTHTRACK, how to have those difficult discussions about retirement. Personal finance guru Jane Bryant Quinn shares her checklist for getting it right emotionally and financially. The author of *How to Make Your Money Last: The Indispensable Retirement Guide* is next on Consuelo Mack WEALTHTRACK.

Hello and welcome to this edition of WEALTHTRACK, I'm Consuelo Mack. How much have you thought about retirement? How much have you discussed it with your spouse or loved ones? If you are in it how thorough was your planning process? How inclusive were your preparations? Were you ready mentally, emotionally and financially?

According to the most recent couples retirement study by Fidelity 72% of couples say they communicate "exceptionally" or "very well" when it comes to financial matters, but the reality is quite different.

One in three couples disagree on how comfortable their expected lifestyle will be. 48% have "no idea" how much they will need to save to maintain their current lifestyle in retirement and 47% disagree about the amount needed...and more than half worry about outliving their savings in retirement. And here's a shocker: only 21% of couples have developed a retirement plan to ensure they do not outlive their savings.

Yet the reality is having a retirement plan is a huge advantage. Couples with one are twice as likely to expect to live a "very comfortable" retirement 42% versus 18% without a plan... 67% are more likely to be "completely confident" in assuming full financial responsibility for retirement if needed, vs. 42% without a plan and only 28% of couples with a plan are less likely to have "no idea" when it comes to how much they need in retirement versus 54% of those without a plan.

This week's guest is on a mission to change all that. She is a personal finance guru who recently wrote a book to help Americans plan for retirement and in the process, as she will tell us, she really helped herself and her husband with the conversation!

She is Jane Bryant Quinn, author of the recently published *How to Make Your Money Last: The Indispensable Retirement Guide*. Quinn is also the author of several other books including the best selling *Making the Most of Your Money Now*, *Smart and Simple Financial Strategies for Busy People* and *Everyone's Money Book*. Over the years she has been a widely read personal finance columnist for several publications, including *Newsweek* and *The Washington Post*. Currently her column appears in the AARP bulletin.

I asked Quinn about one of her first pieces of retirement planning advice, the importance of talk, talk, talk!

JANE BRYANT QUINN: Couples sometimes have no idea what their partner thinks. They think, oh, well, we're going to go into retirement, and we're going to do this and we're going to do that, and then when they start raising it, the other one will say, "Wait a minute. I'm not going to retire," or "What do you mean, move to Florida? I don't want to do that," or whatever. All of a sudden you get very different opinions that these two spouses have who have lived together all these years and expect to retire together, and their priorities are different, and their timing is different.

CONSUELO MACK: So talk about that. I mean what are the things that you should talk about when you're ... ?

JANE BRYANT QUINN: First they should just set out what they want to do initially and not just in general terms. Write it down. Make a list. What do I expect of retirement? When am I going to retire? What are we going to do? Then look at your lists and you may be absolutely shocked, and it is not unusual for example for the working couple. The man wants to retire, and he somehow expects her to retire with him. Well, guess what. She's not ready, and if you retire and you sit home and you're grumpy because you expect her to retire and husband-sit, this is not going to be a good relationship. Or conversely sometimes a man says, "I want to retire." The wife isn't working, and then she gets scared because she doesn't know anything about the finances, and she thinks we don't have enough money for you to retire. So I mean just the question of timing comes up, and it's a long negotiation deciding when to retire and what to do when you retire. This doesn't happen on a weekend. You start talking about it, and then you talk again and then you talk again, and then you reach your differences, and then you talk again. You don't do this overnight, Consuelo. Really you have to start talking about it.

CONSUELO MACK: When?

JANE BRYANT QUINN: Four years in advance. And by the way, we're talking always about couples here. Do you know? When you're a single, you need to talk to yourself because you might say, "Okay, time to retire," but without having made a plan for yourself as a singleton exactly what you're going to do, and then you retire and suddenly you're miserable. So it's never a fast decision of when you're going to retire and what you're going to do then. It takes a lot of years of thinking and planning.

CONSUELO MACK: Planning is the next step, so the plan, plan, plan aspect of this. So what are the essentials to a plan for retirement?

JANE BRYANT QUINN: Two, and I would start with the emotional side which is what are you retiring to, and what are you going to do with your life? Because it's not just money. Money is what I write about and we'll talk a lot about that, but to plan a second life is what you have to do because you are someone in the working world. You have a certain persona. You have a certain status, and then suddenly you move from the status of earner and provider and active person in the world, and all of a sudden you are retired American interested in

what?

CONSUELO MACK: It's scary actually.

JANE BRYANT QUINN: You turn to your dinner partner and you say, "Well, I'm retired," and your dinner partner doesn't want to talk to you anymore. It's a huge loss of status in terms of emotional feeling, and so to find out what you're going to do next when we're talking about planning, the number one plan is to think about your life and what you are retiring to. Then of course the next thing is you have to plan what you're going to do with the money. Can you afford to retire? When can you afford it? How much can you take out of your savings and still have it last for life? I mean all of those financial questions come in, but you've got to think about the emotional one first. What are you going to do when you no longer have a title on the door?

CONSUELO MACK: Because I'm finding more and more people, my peers, are saying, "Well, I don't really plan to retire," but that's not a plan. Right?

JANE BRYANT QUINN: That's not a plan. Now fortunately if you run your own shop, if you have your own television show, if you write your own books then retirement becomes very much your choice. I can work until I'm 70 or 80 or however long you want to work, but if you are in a different kind of career, you might not have the choice.

CONSUELO MACK: Which most people are.

JANE BRYANT QUINN: I was talking to a group once upon a time that was in their 50s, and I said, "How many people here retired earlier than they intended or expected to?" Half the hands went up which is just what you see in the surveys.

CONSUELO MACK: In their 50s this was.

JANE BRYANT QUINN: They were in their 50s.

CONSUELO MACK: Wow.

JANE BRYANT QUINN: You say you work 'til you drop. Well, maybe you maybe conditions change and you don't want to work anymore or you lose your job or your company closes. All kinds of things can happen.

CONSUELO MACK: I'm assuming that many people start planning for their retirement in their 50s or 60s when they're getting closer, but it sounds as if the reality of life is that you could be laid off in your 50s. You could have a health issue, whatever.

JANE BRYANT QUINN: The thing is that your number one priority without thinking I'm

planning for retirement, your number one priority still has to be sock away that money in savings as much as you possibly can, because then when you start reaching your 50s and you start saying, “Can I afford to retire? When and how well will I live when I retire?” then you look at that money you have and say, “Now what am I going to do with it?” The fact is that whenever retirement comes, what you’ve got is what you’ve got, and nothing is going to drop from the sky and say, “I’m going to make you \$500,000 richer.” You’ve got to work with what you’ve got, and your standard of living is going to be set by whatever you have at that moment that your paycheck stops.

CONSUELO MACK: That’s the critical point I guess about budgeting for instance. How does one devise a workable budget for retirement given the fact that you have to create your own paycheck?

JANE BRYANT QUINN: I call it rightsizing your life, and when you’re thinking about planning your retirement, to get your life at expenditures the right size. People say, they do a budget and they say, “Well, this is how much I’m going to need to live on.” Sorry. Maybe that’s what you need, but that doesn’t mean that’s what you’re going to get. So you do it the other way. You say how much income am I reasonably going to have in retirement from Social Security, pension if you have one or an annuity if you have one and then of your savings and investments.

CONSUELO MACK: And your investments and your savings.

JANE BRYANT QUINN: When you’re just doing a rough budget, I say take four percent of your total savings and investments and assume you’re going to spend that every year and add that all up. That is the money you have coming in, and whatever your expenses are, you’ve got to fit it to that amount of money. This is also part of the plan. It can be a shock when husband and wife sit down and say, “How well are we going to live in retirement?” and then you do those numbers, and you suddenly sit back and say, “Ah, we have to live a different way,” and sometimes ...

CONSUELO MACK: Or keep working more or whatever.

JANE BRYANT QUINN: Or keep working more or you have to make ... there is nothing like the numbers in front of you.

CONSUELO MACK: Another thing that you mentioned in your book as well is that when you’re doing your budget, you should do it three ways.

JANE BRYANT QUINN: Very common missing piece. A couple will just assume that they are going to live together and both of them will be alive for 20, 30 years, and it may be that you retire and two years later one of the other people gets hit by the truck, and then what does the survivor have to live on? So that’s the three budgets. One for a couple, one assuming the

husband dies not 20 years from now but the husband dies within five years.

CONSUELO MACK: Oh, all right.

JANE BRYANT QUINN: So early, so all of a sudden the woman is an early widow. Neither of them had expected that. What does she have to live on? Then vice versa, especially if the wife, as is often the case, is a major breadwinner and is bringing in some of the assets or a pension or whatever. What happens if she dies within ten years or within five years of retiring? What does he have to live on? So you've got to work out both a survivor's budget and a couple's budget.

CONSUELO MACK: Another issue is who the beneficiaries are and, for instance, just to make sure that you know with an IRA for instance who the beneficiaries are and also tell me what the rules are for 401(k)s.

JANE BRYANT QUINN: With a 401(k) – and this surprises some people – your spouse is automatically your beneficiary. Any kind of employee plan covered by the ERISA law, your spouse is your automatic beneficiary, but this is a spouse if you've just married ten minutes. Your spouse is your automatic beneficiary. So say this is a second spouse. You have kids from a prior marriage. You want to leave those kids some money. Guess what. If you all of a sudden get hit by a truck, all that money is going to go to your new ten-minute spouse. That's it, and I will tell you a story about that which might be a little embarrassing but it's true. My husband was quite a bit older than I was and he died, and then I remarried, but we had children, so my children were inheriting part of a pension fund. I'm getting remarried, and I all of a sudden think about this. What if I say "I do"? I walk into the wedding tent. I trip over the chair. I break my neck. I disinherited my kids. So we have a friend who's a notary and he came to the wedding, and after we said, "I do," Carl, my dear new husband, sat down and signed the papers so that a spouse can give permission for the money to go somewhere else. I know that's very anal, but it's the kind of thing that people may think about.

CONSUELO MACK: No, it's a great story. In the IRA. Even if in the will you leave your children or someone your IRA ...

JANE BRYANT QUINN: The IRA is in reverse. It doesn't matter what you say in your will. When you have an individual retirement account, you filled in a beneficiary form, and that beneficiary form dictates where the money goes. So again if you've remarried you have this second spouse. You've been married ten years. You're very happy but you forgot to take your ex off the beneficiary form and you die. Guess who gets the money.

CONSUELO MACK: The ex.

JANE BRYANT QUINN: The ex gets the money. The new spouse doesn't. There is an exception in community property states where if it's a marital asset, the current spouse can get

at it a little bit but you might have to fight for it. You've got to look at those beneficiary forms and make sure the money is going where you want it to go.

CONSUELO MACK: Another daunting challenge of retirement is when you roll over your 401(k) for instance, and you think that there are simple solutions to investing your nest egg; that it's much simpler than you realize and that Wall Street and financial firms would have you believe.

JANE BRYANT QUINN: The fat part of the market are people who are coming out of 401(k)s or 403(b)s because they've been investing in a protected environment all their lives. The company chose X number of mutual funds and they made their choice, and they have no idea really how to invest. They have all this money all of a sudden at their disposal, and they are just prey for people selling high-cost investments. When people come to try to sell you high-cost mutual funds or high-cost annuities, some of these Real Estate Investment Trusts that aren't listed on exchanges, they're all high-cost things, you know you should run away. Run away. Run away. You could leave the money in the 401(k) if you wanted to.

CONSUELO MACK: You're a huge advocate of index mutual funds.

JANE BRYANT QUINN: Index mutual funds. An index fund follows the market as a whole, and the brokers will tell you, "Well, all you get is average returns, and you don't want to be a schlub. You don't want average returns. You want to be above average." Well, in the market the index which is market performance is like par in golf, and hardly anybody beats par in golf and hardly any mutual fund manager or wealth manager beats the market over time. A small percentage do, but how do you know who they're going to ...

CONSUELO MACK: At different times.

JANE BRYANT QUINN: Different times, and how do you know in advance who that is going to be? So I am a huge believer in keeping it simple and buying a stock index mutual fund that follows the stock market and a bond index fund that follows the bond market and, in fact, if you have just these two funds you can actually construct a splendid retirement investment plan for yourself, taking out money regularly that helps you live.

CONSUELO MACK: Retirement realities for women. Women live longer, and we will most likely end our lives alone because we tend to marry men who are older than we are, and they don't live as long as we do, and we'll be managing our finances on our own. So what's your advice for women to deal with that potential reality?

JANE BRYANT QUINN: First is for women to become aware of it which is I think more directed now toward older women because younger women are investing. They're working. They have 401(k)s. They are making some choices. Maybe they feel insecure or not. I mean a lot of women say they feel insecure about it, but the more experience they get in managing

their own money, the better off they're going to be. By the way, one of the things that drives me crazy is saying that women somehow they're not as willing to take risks as men. If you correct for experience in investing, guess what. We take the same kinds of risks. We have the same willingness to invest in stocks or stock market index funds. So it's a matter of how experienced you have become.

CONSUELO MACK: Replacing the paycheck from your employer. Obviously Social Security everyone will get. We talked about investments and investing simply in stocks and bonds and index mutual funds. Another area where you can get guaranteed income for life is annuities, and you in fact are a proponent of a certain type of annuity.

JANE BRYANT QUINN: I am.

CONSUELO MACK: So what are the annuities that you favor?

JANE BRYANT QUINN: By the way, I developed this as I was working on this book because I really hadn't thought about annuities much at all until I started working on how you create an income for yourself for life, and many financial planners are starting to get much more into this field than they were before.

CONSUELO MACK: They need to absolutely.

JANE BRYANT QUINN: They need to, and they hadn't thought about it before. They thought it's all stocks and bonds, but an immediate annuity is a very simple investment. You take a certain amount of money. You give it to an insurance company and they say, "I'll pay you X dollars a month for life, and that's that." You and a beneficiary if you're married and you want to have somebody else on the plan, and you can find out very easily how much this is going to pay you. There's a website called immediateannuities.com, and you put in your age. You put in how much you want to put into the annuity and you press the button, and it'll give you a list of insurance companies, their quality ratings and what they're paying. Couldn't be simpler.

CONSUELO MACK: Yes

JANE BRYANT QUINN: If you're thinking that I thought I was going to be okay but now I'm a little worried I'm not going to be okay, and you have some money in CDs or you have some money in a bond mutual fund for example, if you took some of that money and you put it into an annuity instead, your income would instantly be higher because that annuity is going to pay you more per month than you were getting, than you could prudently take out of your CD or take out of your bond investment. You could also do a deferred annuity that says I'm going to put up the money now but don't start paying me for ten years in which case you will get more per month than you would have if you started today. So I call these the white hat annuities, and I like them a lot, and planners are getting more involved in them. They are a

way of extending your guaranteed income if you feel insecure about whether your money will last for life. Then of course there are the black hat annuities.

CONSUELO MACK: Annuities.

JANE BRYANT QUINN: These are terrible investments and they are often pitched to people just at this retirement age or shortly after. You're the market for it, and they say, "Put some money in this variable annuity with living benefits." They have other names attached. It's very complex, and so you have some money that's invested, and you have a guaranteed minimum that you can get for life, and so it's all a gain if the market goes up and no loss if the market goes down.

CONSUELO MACK: That's the way they sell it.

JANE BRYANT QUINN: There's always something wrong with that, and what's wrong with it is that the fees are monumental, like 3.5 percent or more per year, and the fees are so high that the gain you think you are going to make you're not going to get. So when you buy it you think, oh, well, they're guaranteeing me five percent, but I'm going to get more than that because I'm going to be in the market for 15 years. That's not going to happen. You're going to get the minimum. Then what is the five percent? You are not earning five percent on your money which is what people think. They are guaranteeing to give you your own money back in five percent annual increments, and you have to be very long-lived before you outrun your own money here and start using insurance company money. They are just guaranteeing to give you your money back for which you are paying a huge sum. So why don't you buy an immediate annuity or a simple deferred annuity at a fraction of the cost and save yourself all that money?

CONSUELO MACK: Jane, what's the best decision that you've made in planning for your retirement?

JANE BRYANT QUINN: Actually it sounds a little odd but the best thing would be writing this book because my husband and I have remarried, as you know and my husband and I had never really sat down and thought about it so funnily enough I'm going through these chapters and he's reading them in draft because he's a very good editor and he looks at me and "What do you think about this?", we have these conversations, so I would say our retirement is partly planned at this point and thanks to some of these things.

CONSUELO MACK: Thanks to How to Make Your Money Last! Right, final question is the one investment for a long term diversified portfolio. What's the one thing we should do for long term investing or planning?

JANE BRYANT QUINN: For long term investing it should be in every portfolio, a total market stock index mutual fund, and I will tell you a story about how I learned about index

investing. It was a long time ago, 1976, I was writing a column, I did for years for *The Washington Post* syndicate and I got a phone call and the voice says “My name is Jack Bogle and I would like to come and talk to you about index investing.” And I said, “Well, send me some stuff.” And I read through it and I thought this cannot be true. This is too simple. This cannot possibly be true. And so we had lunch, Jack and I. And we didn’t eat much lunch because if you’ve ever eaten with Jack Bogle and he’s the Founder of Vanguard..

CONSUELO MACK: Oh, absolutely..he’s been a guest many times.

JANE BRYANT QUINN: And so there’s papers all over the table, we kept looking, and I still couldn’t believe it, I took it all home..

CONSUELO MACK: It made too much sense.

JANE BRYANT QUINN: And I studied it, it made too much sense...and I said “My god, this man is right”, and I started index investing. And that was his first fund, his S&P Index fund and that was his first retail index investment fund.

CONSUELO MACK: In the 1970s.

JANE BRYANT QUINN: And he just brought it to me as a reporter, I cannot tell you how I tried to think this cannot be true because I was filled with all the propaganda of Wall Street the way everybody else is. And it was true, and I have been grateful for that lunch ever since.

CONSUELO MACK: So Jane Bryant Quinn what a treat to have you on WEALTHTRACK. Thank you so much for so much valuable advice, over the years, number one and also here, today.

JANE BRYANT QUINN: Thank you, Consuelo, this has really been fun, we could go on talking.

CONSUELO MACK: Yes, we could!

CONSUELO MACK: At the close of every WEALTHTRACK we try to give you one suggestion to help you build and protect your wealth over the long term. This week’s Action Point is: Read Jane Bryant Quinn’s latest book: *How to Make Your Money Last: The Indispensable Retirement Guide*.

As you can tell from the interview she is fun, incredibly knowledgeable, practical, conversational and honest. In the book she takes you through every phase of retirement, from the initial discussions about it to estate planning and everything in between. As one reviewer put it, *How to Make Your Money Last* is a “godsend,... a true treasure chest of financial secrets, tips, how to’s and advice for anyone.”

I couldn't agree more. It is an indispensable retirement guide.

To see more of my interview with Jane Bryant Quinn go to our website and click on the EXTRA feature, also feel free to reach out to us on Facebook and Twitter.

Thank you for watching. Have a great Fourth of July weekend and make the week ahead a profitable and a productive one.