

SCOTT BURNS

Fortunes told in 2 questions

It's 2006. Do you know where your future is?

If you don't, I've got a little warm-up exercise for you. It's to figure out which of four retirement-readiness conditions applies to you as retirement approaches.

Basically, those approaching retirement can define their condition by answering two simple questions:

1. Do you have the resources to retire now?

2. Do you have the option of working longer?

The answers to those questions will put you in one of four possible retirement-readiness positions.

If you answered yes to both questions, you've got it made. You can retire at will. Or you can continue to work. Either way, you have enough resources that worrying about the future isn't part of your daily schedule.

How many people are in this situation? Not many, if reader mail is any indication.

The second-best position is a "yes, no" answer: able to retire but not able to continue working. Think of it as a "just-in-time" retirement. Like it or not, your job disappears just as you've paid off the mortgage and have put in enough years for a good pension, 401(k) balance or both. Your savings will buy a lot of cruise tickets, and you can use them to make the psychological transition easier.

The third-best position is a "no, yes" answer: Not able to retire but able to continue working.

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Answers to two questions hold keys to happiness in retirement

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Your future isn't assured, but if you get the message and work long enough, you'll move up to position two. Your future can be improved. Like the first two positions, your tools are time, saving and return on investment — conventional financial planning.

Overly optimistic

If your answers put you in this third position, though, you should do a reality check.

While it's easy to find articles on reimagining retirement, active retirements, etc., the sorry truth is that millions more people believe they have this option than actually have it.

A recent study at the Center for Retirement Research at Boston College found that individuals in their 50s were likely to experience one or more shocks that could dramatically reduce their retirement security.

Worse, it was more likely that you would experience one of these shocks than not. The study found there was a 69 percent chance that between age 51 and age 61, an individual would experience at least one of these events:

■ A major medical condition (41.3 percent).

■ A health-related work limitation (33.7 percent).

■ Severe disability (6.9 percent).

■ Enter a nursing home (3.4 percent).

■ Be laid off from job (18.7 percent).

■ Be divorced (2.3 percent).

■ Be widowed (7.3 percent).

The percentages for each event, by the way, add to more than 69 percent because some individuals experienced more than one of the events. When it rains, it pours.

Only three people in 10 get through their 50s unscathed.

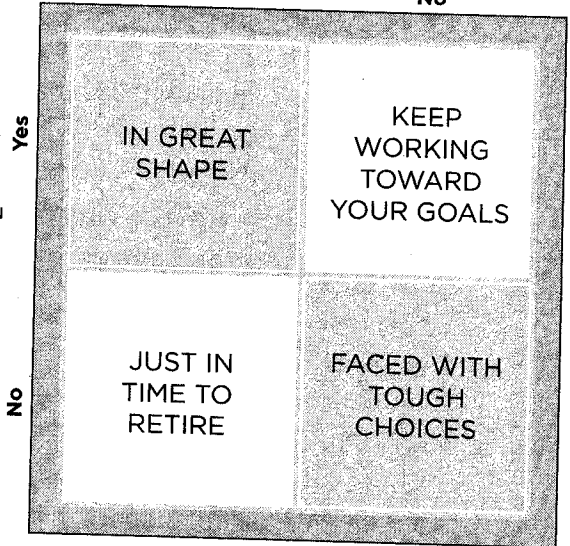
WHICH QUADRANT ARE YOU IN?

To determine your retirement-readiness quadrant, answer these two questions:

1. Do you have the resources to retire now?

Yes

No



2. Do you have the option of working longer?

SOURCE: Dallas Morning News

LAYNE SMITH/Staff Artist

That reality — the near inevitability of major adversity — is one of the reasons so many people in their 50s or early 60s will be in the worst position. They will give a "no, no" answer. They aren't able to retire and they aren't able to continue working. Ready or not, retirement has come for you.

How big is this group? If surveys are any indication, among those at retirement age, it's as large as the other three groups combined.

How we live

Should this be a cause of despair? I don't think so. At the risk of being accused of delusional optimism, I think people can do as much with how they arrange their lives — how they live — as they can do with savings and financial assets.

The economics of living comes from how we live our lives, not from stocks and bonds.