

I am self employed and approaching retirement in the near future. I have figured out what my retirement income will need to be and it is \$3,000 a month (excluding Social Security). How large of a nest egg will I have to have to generate that type of money and what types of investment. I want a sound investment plan that's not risky but does better than CD's. I have several parcels of land that I plan to sell to get the nest egg that I need to generate the retirement income. TLW

First off, figuring out what you need on a per month basis in retirement is a great place to start to find your nestegg. You figured out you need of \$3,000 a month of today's dollars to live on. I mention today's dollars, because of inflation the purchasing power of a dollar today is going to be more than a dollar in future years. The other piece of planning is to figure out how long you will need the money. I do not think you can predict your death, but you need to make a realistic estimate. It is also important to error on the side of conservative, no one ever says they have too much money in retirement. For example purposes, if you are 60 years old and will probably live another 25 years, mathematically you will need to have at least \$500,000 in savings generating 5% a year. This does not take into account inflation or taxes, which will impact your present funds greatly. Realistically, the starting number needs to be about \$750,000.

Your nest egg needs to be invested in a mix of stocks and bonds allocated according to your risk tolerance and time of use. You mention you are near retirement and you do not like a lot of risk in your portfolio. I would weight the portfolio with a much higher percentage of bonds than stocks, but it is important to have a small piece of your portfolio in the stock. The stock position diversifies your portfolio and also helps your portfolio stay ahead of inflation. This stock investment should be an index fund tracking the S&P 500. A great way to do this is by using Exchange Traded Funds, other wise known as ETF's. These are mutual funds that trade like stocks and have very low management fees.

You mention you have the parcels of land to sell to generate the funds for the nest egg. If you cannot come up with \$750,000, there are a couple of things you can do. Sometimes scaling back your current workload will allow you to retire gradually, helping both your mental and monetary situation. It will be a hard adjustment to suddenly stop working, therefore cutting back your schedule will ease you into this situation. If you are no longer interested in the business you are in and it is marketable, you can possibly sell the business.

Thank you for your excellent question. If you would like to submit a question for this article or to contact me, you can do so at (866) 448-9953 or scottboyles@brightscape.com. Next article we will deal with Health Savings Accounts and how they can be used to save you money.

