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Planning: It's More Than Filling in the Blanks

By **ERIC A. TAUB**

ANY number of Web sites offer simple online calculators for retirement. Fill out a few easy questions about your assets, income and expenditures, and you will know how much money you will need.

And that is what you should not waste your time doing, said Laurence J. Kotlikoff, a professor of economics at [Boston University](#). "Getting retirement planning right is rocket science," he said.

Knowing how much money you will need involves a wide range of variables that can drastically change your financial position. They include matters like the property tax in your state, when you decide to withdraw from your 401(k) and whether you receive Social Security benefits before or after you take money from other private retirement funds.

Still, companies continue to offer simple questionnaires. Fidelity does so because "we are trying to break the inertia," said Carolyn Clancy, Fidelity's senior vice president for personal investments. The company, she said, hopes that an individual will explore the much more extensive questionnaire on its Web site and ask the company's financial planners for further assistance.

The more popular tools, like those from Fidelity, Quicken and Vanguard, have a number of similarities. They all populate the fields with information culled from in-house accounts or previously entered information. They also have “what-if” possibilities: changes in income, rates of return and inflation and age of retirement, among others.

The tools offered by a financial institution might also have a built-in conflict of interest; while the software is available to anyone, it is intended to encourage users to set up retirement accounts with the institution. That makes them not very useful, said Darius Gagne, a financial adviser at Quantum Wealth Management Investments in Los Angeles. Using retirement planning software, Mr. Gagne said, is “like building your own home without an architect.”

The brokerage houses do not deny that they would like users of their retirement planning software to delve deeper into their companies’ offerings, but they say that it is an advantage for the customer.

Vanguard will prepare a one-time customized financial plan, based on answers to the online questionnaire, at no charge to customers who have \$250,000 in Vanguard assets or who bring \$100,000 into the company. Fidelity offers its Income Management Account, which sends e-mail notifications if you are withdrawing retirement funds at too rapid a rate or if your portfolio investment classes should be reweighted.

Both Fidelity and Vanguard believe that an individual should have enough assets for retirement to generate 85 percent of one’s income during the working years. According to Ms. Clancy at Fidelity, most people have enough assets to cover only 57 percent of their needs.

Professor Kotlikoff said that that required figure was drastically inflated. “The typical rule of thumb for retirement income is too high for the middle class,” he said. “People cannot meet

that target without investing in risky securities.” Encouraging risks, he added, is “a form of financial malpractice.”

To put his theories into practice, Professor Kotlikoff developed ESPlanner. He faults typical retirement calculators for overly simplifying the process. The amount you need to save and what you can spend “is very sensitive to minor fluctuations,” he said.

Here is a look at four popular programs:

ESPLANNER Rather than ask users how much money they want to have in retirement, the program (\$149-\$199 at esplanner.com) finds the appropriate spending target for each user. ESPlanner can determine the financial consequences of a number of actions, including moving to a state with lower taxes (the program includes tax data for every state) or taking Social Security before a 401(k). It can determine whether someone is saving too much, resulting in higher-than-necessary taxes.

FIDELITY The company’s free Retirement Income Planner software uses a wide range of financial data to help people determine how much they can spend before the money runs out. Account assets of Fidelity customers are automatically loaded into the program. Sidebar tips help users understand the implications of variables. Users can vary such items as life expectancy, and whether they wish to die with or without assets. Fidelity will suggest various mutual funds, including those marketed by other companies and offered through Fidelity’s Funds Network program.

QUICKEN Available as a feature within the Windows-based Quicken 2007 Deluxe product (\$59.95), the software can download financial information from 4,300 institutions directly into the retirement calculator. Anticipated inflation rates, age when taking Social Security and tax

rates can be changed by the user. Users are advised if they are on their way to having enough assets or if they should save more. The program warns them if their appreciation rate seems higher than normal, or if they forget to enter the value of an obvious asset, like a home.

VANGUARD The company helps investors determine how much to save for retirement, explains the types of I.R.A.'s and why it pays to start saving early, how investment costs affect savings and when to cash out of an employer's retirement fund. The tools, which can be used at no charge, do not advise people when to start taking Social Security, but they do show the effects of starting it at different ages. Nor are investors advised to switch out of funds if they are not performing well; the company says it does not believe in trying to time the market.

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