Book Review

You Can Do It: The Boomer's Guide to a Great Retirement

Barbara O'Neill

Author: **Jonathan Pond**
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In *You Can Do It: The Boomer's Guide to a Great Retirement*, financial journalist Jonathan Pond repeatedly defies numerous reports that indicate the large baby boom generation hasn't saved adequately to live comfortably in later life. Sounding frequently like a cheerleader ("you can do it, you can do it, if you put your mind to it"), he begins, "Good news: Baby boomers are in a lot better financial shape than the media portrays." But he also notes, "There's some work to do to achieve a really good retirement," for this cohort of 77 million 43- to 61-year olds. This "work" is the focus of 14 chapters and 3 appendixes (total of 393 pages) that comprise this book.

You Can Do It begins with a 21-page introduction where Pond delineates his approach compared to other financial planning books. He also informs readers that *You Can Do It* includes numerous checklists and has an accompanying Web site to keep its information current. Pond reiterates several times that "the vast majority of boomers are on the road to a good retirement" despite some bleak predictions by the media and financial services industry.

In Chapter 1, "Yes You Can Achieve Your Dreams," Pond tells readers to acknowledge that there is nothing they can do to change the past and promises not to chide them for past mistakes. He then describes five keys to a great retirement: living beneath your means, investing savings wisely, eliminating debt, preventing financial disruptions, and staying active and maintaining your health.

In "Success Secrets," Chapter 2, Pond states, "For the past couple of years, I have asked retirees to offer one piece of advice to baby boomers to help them better prepare for retirement." The remainder of the chapter is a compilation of quotes from "real people" about familiar themes such as developing good health habits, participating in automatic investing, and not retiring without plans for the use of one's free time.

Investment diversification is the topic of Chapter 3, "The 60 Percent/40 Percent Diversification Solution." The tried and true investment pyramid graphic is presented to illustrate the relationship between risk and reward. In addition, Pond discusses the strategy of investing 60% of long-term assets in stocks and 40% in bonds and other interest-earning securities, as well as portfolio rebalancing and characteristics of various investments.

"The Best Ways to Invest for Retirement" is the title of Chapter 4, which describes various tax-deferred investments that can be advantageous to baby boomers playing financial catch-up. One example is non-deductible traditional individual retirement accounts (IRAs). Noting that many baby boomers who don't qualify for a Roth or deductible traditional IRA don't fund these accounts, Pond states, "That is shortsighted because you will still enjoy tax-free growth from your nondeductible IRA." Readers are also warned about the dangers of over-investing in their employer's company stock and are provided with a thorough explanation of Roth 401(k) and Roth 403(b) plans and life-cycle mutual funds.

Chapter 5, "Doubling Your Retirement Income," includes tables showing a 3%, 6%, and 9% return on investments and the income that this translates into at retirement. As Pond notes, "Small changes in investment returns make

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enormous differences in the amount of wealth you accumulate over your remaining working years." The chapter also describes topics such as exchange-traded funds and cash equivalent assets.

"The Most Important Financial Decision of Your Life" is the title of Chapter 6. Pond states that "Planning your financial future involves a lot of decisions, but some are more important than others. The closer you get to retirement, the more critical they become." Three of the critical decisions that are discussed in detail are how much it's going to cost you to live when you retire, when to begin collecting Social Security benefits, and whether to purchase an annuity. An expense change worksheet is provided to compare pre- and post-retirement spending, and there is a helpful chart about the percentage that Social Security is reduced by for early retirees.

In Chapter 7, "Deciding When to Retire," Pond notes that only about a third of baby boomers want to retire early or at their full retirement age to receive Social Security benefits. Although the primary reason for postponing retirement is often psychological, there are positive financial benefits also. Topics covered include retiring early, evaluating an early retirement incentive plan, and a dozen retirement catch-up strategies such as reducing debt, moonlighting, delaying retirement, and retiring gradually.

Chapter 8 has the cleverest title of them all: "Edifice Complex: What to Do With the Family Home." Pond warns that home equity can only be considered a retirement resource if someone plans to sell their home and rent or buy less expensive housing. "They should not be deluded into thinking that this big chunk of home equity is a substitute for saving for retirement the old fashioned way, by putting money into retirement accounts and savings." The following topics are discussed in this chapter: paying off the mortgage (done by nearly half of those age 55 to 64), mortgage pre-payment, home equity loans, downsizing, and home renovations.

Chapter 9, "Deciding Where to Retire," discusses the pros and cons of the following options: staying put, relocating in the same locale, relocating to a more distant locale, and relocating to a foreign country. An important consideration that anyone planning an interstate move should investigate is how that state treats pension income as well as its various tax structures. Health insurance is a big concern for retirees in foreign countries, as Medicare generally does not cover health care outside the U.S. and its territories.

Retirement planning would be a lot easier if real life events (e.g., disability and death) didn't happen and detract from building wealth. This situation is the subject of Chapter 10, "Preparing for the Unexpected." Four strategies are discussed to cope with the uncertainties of life: using savings and investments to pay for minor financial disruptions, using insurance to protect against major financial disruptions, preparing a will and other estate planning documents, and organizing financial records and documents to simplify your financial life and to help your loved ones manage your affairs if necessary. Long-term care insurance is discussed thoroughly with a series of questions to help readers decide if they are good candidates for coverage. Various estate planning documents (e.g., will, durable power of attorney, advance directive, and letter of instructions) are also described.

As someone who spends a fair amount of time teaching and writing about relationships between health and personal finances, I was pleased to see Chapter 11, "Healthy, Wealthy, and Wise." In this chapter, Pond covers the non-financial aspects of retirement planning, specifically maintaining good health and family matters. He wisely counsels readers, "You can stack the odds for a long and healthy retirement by improving your health habits." Examples include diet, exercise and stress reduction, and periodic check-ups and screening tests. Pond also advises boomers to stay mentally sharp, develop a "social portfolio" of family and friends, and keep busy. This chapter also includes sections on several "sandwich generation" issues—allowances for children, 529 college savings plans, inheritances, and helping aging parents—as well as benefits of investing in your career.

Chapter 12, "For Richer or Poorer, But Never for Lunch," explores the psychological side of retirement, which is as important as financial concerns, and maybe more so. As Pond astutely notes, "You can retire with tons of money, but what good is it if you don't know what you're going to do to make you happy?" He goes on to state that only about 1 in 10 retirees devote any serious time to planning what they're going to do when they retire. However, the notion of a life of leisure is being replaced by a search for meaning and fulfillment. Possible options discussed in this chapter include a second career, starting a business, and volunteer activity. There is also a special advisory for boomer workaholics: "If you are heavily tied to your work, retirement will be a major challenge." Pond also deftly describes how to build a social portfolio following the same principles that are used for investing (e.g., diversification, insurance backup, and starting early).

Chapter 13 is titled “Retire Rich and Die Destitute,” wherein Pond discusses a potpourri of financial topics of interest to people in the second half of their financial life. Among them are investing when you’re retired, charitable gift annuities, drawing down invested assets in retirement, reverse mortgages, and retiree health insurance. Also included is a helpful table that illustrates how long money will last at various withdrawal rates and rates of return. Another excellent feature is a health insurance checklist for early retirees.

Chapter 14, “Countdown to a Great Retirement,” is a relatively short capstone chapter. Citing a Congressional Budget Office study, Pond reemphasizes his belief that boomers are in pretty good financial shape and “better prepared than their parents were at the same age.” He concludes with “the big four” pieces of financial advice: diversification is essential, select the best investments, make the most of your home, and decide when and where you want to retire. He also encourages readers to “be happy with what you’ve got” and to “avoid being preoccupied with material things.” The book concludes with three helpful appendixes that total almost 80 pages: *Budgeting for People Who Hate Budgets*, *Investing 101*, and *Investment Strategies for Active Investors*.

There is no question that Pond is “on target” with the financial subject matter content of *You Can Do It*. He covered a wide range of topics of interest to the 40- to 60-something generation of baby boomers (this reviewer included), and the book was thoroughly researched and current in its information about investment products and taxes. Pond also wrote as if he was speaking personally to readers at a seminar and made it clear that he identified with their financial challenges. *You Can Do It* was organized in a consistent style and was reader-friendly with frequent use of bullets, tables, and checklists to present information without a “text-heavy” format.

I do have three criticisms of *You Can Do It*, however. First, although Pond professes to write about all baby boomers, the examples that he uses describe people earning middle or upper-middle incomes. Even the word “career” is exclusive because there is undoubtedly a subset of boomers who work 9-to-5 jobs and manage their finances in survival mode, living paycheck to paycheck. The financial needs of these boomers were not addressed at all. Second, Pond’s frequent comments about the healthy financial status of baby boomers contradicts a number of respected studies such as the Federal Reserve Board’s Survey of Consumer Finances and the Employee Benefit Research Institute’s Retirement Confidence Survey, both of which shed light on Americans’ relatively low level of asset accumulation. This disconnect was not sufficiently addressed. Lastly, comparisons of boomers’ preparation for retirement with that of their parents’ are like comparing apples and oranges. Retirement today “is not your father’s retirement” as evidenced by decreasing numbers of defined benefit pension plans and increased use of 401(k)s, eroding employer benefits for retirees, uncertainty about Social Security, and other differences. These concerns aside, *You Can Do It* is a valuable resource that belongs on your bookshelf, especially if you’re a baby boomer.