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The Best of Times

By Dan Searles

As Charles Dickens wrote, “It was the best of times, it was the worst of times.” Economically speaking, many today would suggest that these are the *worst* of times. Dare I ask, are times really that bad? After all, the unemployment rate is 7.5% (Bureau of Labor Statistic, January 2009), but that means 93.5% of us have jobs. While tragically 861,664 families lost their homes in 2008, overall, home ownership is still very close to an all time high at 67.5%. That’s a greater home ownership rate than all of the 1980’s and 1990’s.

Admittedly, times are tough for a lot of people. I am not downplaying that obvious fact. But Americans have weathered tough times before and I don’t think our politicians and the 24-hour “doomsday” cable T.V. networks are helping us weather these times. In fact, by concentrating on the bad news, I think they are creating a self-fulfilling prophecy. They are driving public opinion down, down, down and public worry up, up, up.

So, I have a suggestion. The next time a politician, or a news anchor starts “doomsdaying” our economy, stop a second and take stock of your situation. Is your personal economic situation really that bad? Do you have a job and a roof over your head? More than likely, you’re in the group of the 90 plus percent of the public which is having to tighten their belts and put on their working shoes, but otherwise, you’re doing just fine and good economic times will most likely roll around again, just as they’ve always done. With that, let’s go to the question of the month:

“Dear Dan: I am a retired 62-year-old former office manager. Like most retired people, I live off my savings, most of which is in my 401K. It has grown to over \$600,000 over the years and I was drawing about \$30,000 a year from it. But, since the stock market crash, my account is now down to about \$400,000. I could keep taking \$30,000 a year, but I’m afraid my money will run out if I do. Should I go back to work or bet the market will recover so I don’t run out of money? Signed, Concerned in Maryland.”

Dear Concerned: We have heard this scenario over and over again recently. You are right to be worried about taking \$30,000 a year out of your 401K account. After all, when your account was worth \$600,000, that was a 5% withdrawal rate. That rate is considered to be sustainable in most economic times. However, now that the account has dropped to \$400,000 or so, that same \$30,000 represents a 7.5% withdrawal rate. At that

rate of withdrawal, you could be in danger of running out of money, especially if you live a long life or if your account dips again. Our suggestion to you would be:

- A) Cut back on your withdrawals until they are in the 4-5% range. A modest withdrawal rate for many, this can help your money last longer.
- B) Consider other investment opportunities that offer immediate income. Various fixed income and insurance products are often appropriate choices for those concerned about meeting income needs during retirement. Given today's life expectancies, it's important to carefully review and take into account all options available.
- C) Finally, you might consider taking that part-time job so that you can maintain your lifestyle. Of course, you could then reduce your withdrawal rate and allow your 401K time to (hopefully) regain some of its losses.

These are indeed rough times for many people. Hang in there and take control of your economic life. Because, regardless of the overall economy, it is your personal economy you most need to keep in order.

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