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## Is \$1 Million Enough to Retire On? It depends upon your expectations

By *Emily Brandon*

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Becoming a millionaire once conjured up images of wealth and luxury, or at the very least financial security. But is a million bucks enough to retire comfortably on anymore? Many baby boomer millionaires don't think so, at least for the lifestyle they want to lead.

If you drew down 4 percent of your \$1 million nest egg every year, a share many financial advisers recommend as prudent, you would receive about \$40,000 annually, before adjusting for inflation—a pretty comfortable salary outside major metropolitan areas, especially if your house is paid off. Of course, how far that \$3,333 a month goes depends on your lifestyle, health, and inflation. Here are three viewpoints on the \$1 million question:

**It's probably not enough.** Even at a faster rate of tapping a million-dollar nest egg, Michael Farr, president of the Washington, D.C., investment firm Farr, Miller, & Washington and author of *A Million Is Not Enough: How to Retire With the Money You'll Need*, thinks it's insufficient for most retirees. "A million dollars in liquid reserves like stocks, bonds, and real estate investments you are not living in will generate \$50,000 a year [according to Farr's calculations]. After you adjust for inflation it will be entirely gone after about 30 years," Farr says. "Most people tell me it takes them more than \$50,000 a year to cover their expenses. If \$50,000 a year will cover your expenses, it is enough." To increase your capital, Farr recommends budgeting, cost cutting, and saving—and investing the spoils in the stock market to guard against inflation. "Take a look at what your current expenses are, and that is what you need to live," he says.

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**For security, try an annuity.** The answer to the million-dollar question seems to depend upon who is asking it. "One million dollars should be enough to maintain living standards for the majority of households, including healthcare expenditures," says Mauricio Soto of Boston College's Center for Retirement Research. "But more might be needed for households that make over \$120,000."

If you've got a million-dollar nest egg, Soto recommends that you set aside \$200,000 off the top for medical expenses in retirement and use the remaining \$800,000 to purchase an inflation-protected annuity that would pay out \$45,000 a year. This amount plus Social Security (typically about \$25,000 for the maximum earner, plus \$12,500 for the spouse) will generate an income of about \$82,500 for a couple. Many financial advisers tell you to try to replace 80 percent of the income needed while working. By this conservative standard, \$1 million would maintain the standard of living of a household making \$103,000.

**Stop worrying so much, and get out your golf shoes.** Most workers aren't even striving to become millionaires. Nearly two thirds of employees think they'll be perfectly fine retiring with less than \$1 million, according to the nonprofit Employee Benefit Research Institute. "The financial services industry has made a good living for themselves scaring people," says Jonathan Pond, a financial planner and author of *You Can Do It! The Boomer's Guide to a Great Retirement*. "For many people, \$100,000 to \$200,000 is enough to retire on."

Pond argues that you need only to replace 65 percent of your working income to have a comfortable retirement if your house is paid off. He adds that Social Security will replace 45 percent of income for middle-income Americans. So, he concludes that most employees need only save enough to generate 20 percent of what they made while working.

The key is choosing a lifestyle that fits your budget. A million bucks will no longer finance a lavish retirement, but it could certainly provide a reasonably comfortable one.

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