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## INVESTMENT THOUGHTS FROM CHRIS AND DON

Dear Clients,

Everybody has one and everybody thinks about it. George Foreman even talks about it. “The question isn't at what age I want to retire, it's at what income.” Foreman speaks of his “Number,” a term coined by author Lee Eisenberg in his book of the same title. A new name for an old concept, the Number refers to the amount of money an individual must have in order to achieve a desired quality of life during retirement. In the past, retirement was largely determined by reaching a certain age. Gone are the days of this cut and dried progression. Today, with ever-rising standards of living and the alleged perils facing social security, not only is the Number increasing, but it is also becoming more difficult to estimate.

The Number applies to everybody and it does not discriminate by income. Having made millions from sales of his self-named grill, Foreman shows that everybody must consider it. No two, however, are the same. Those who can afford it are likely to be used to a higher standard of living, needing more to face retirement, while those who live more simply will be able to retire comfortably on less. Unfortunately, one can never know exactly how much one needs to retire, as there are countless and ever-changing variables involved in arriving at the Number. Even though it may be imprecise and consistently evolving, one can make a reasonable effort to both estimate a Number and take appropriate measures to reach it.

### Determining your Number

*I have enough money to last me the rest of my life, unless I buy something. - Jackie Mason*

It is important to have a good approximation of just how much money you are going to need to retire comfortably. Some of the most important considerations to take into account when trying to estimate your Number are the approximate length of your retirement, cost of living before and during retirement, expected retirement income, the financial goals you may have, inflation, and the return you will make on your investments.



Perhaps the most difficult aspect to accurately predict is just how long your retirement is going to be. The two components of retirement length are your age when you retire and the length of your life. Forecasting the age at which you will retire is one matter. Predicting how long you will live is another. Much of your Number's reasonableness is contingent on just how long you are going to live. It is better to allow too much time for your retirement than to underestimate it and risk running out of money.

Unlike predicting the length of retirement, you should be able to reasonably estimate your cost of living. While most people find expenses to be somewhat less during retirement unless they travel a great deal, have expensive hobbies or retire with a lot of debt, our general rule of thumb is that you will need 100% of your pre-retirement income at the beginning of your retirement (some maintain that 70-80% is an appropriate figure to use; we'd rather stay conservative).

The amount of your retirement income—and its source(s)—will vary. You need to consider pensions, 401(k)'s, family inheritance, social security benefits, and the decision whether or not you continue to work. Often, retirees make the decision to “work” part-time (although not always in paid positions). A part-time job not only provides supplemental income, but also allows retirees to stay active and helps prevent the sense of monotony that some may find in retirement.

Every bit as important as your monthly cash flows, and perhaps even more difficult to factor into

