FINRA Review letter **FR2008-0102-0187/E**

January 10, 2008

Can you forge a retirement starting at 60

Per the reviewer's comments, the following disclosure was added:

Note that the example above is hypothetical in nature, does not represent any specific investment, and does not account for any fees or expenses associated with an actual investment, but if it had, returns would be lower must be included. All investing involves risk, including the possible loss of principal and it is not possible to invest directly in an index.

Can you forge a retirement starting at 60?

"My wife and I are 60 and 62. We're self-employed, renting the house we raised our kids in and have no retirement plan beyond an IRA and a little savings. We gross over $110,000 a year, but almost 30 percent goes to income taxes. How can we create a retirement at this stage of our life?"

Hypothetical situations like this are not uncommon. But take heart, there's always something you can do to enhance your retirement prospects. Creating a retirement plan is all about creating retirement income – one that eventually doesn't require you to work. The three legged stool of retirement is based on generating income from your pension (a defined benefit plan), your savings (including your defined contribution plans), and your social security.

Tom hasn't a pension but he has an IRA and he'll get social security. Tom and his wife must commit to saving as large a portion of their income now while they can work.

They should contribute $6,000 a year to an IRA –since they're both over 50. Since they pay a lot of taxes, they can contribute to the traditional IRA. And by creating a SEP IRA - a retirement savings account designed for the self-employed – they can contribute much more than they can to their traditional IRA - as much as 25 percent of their self-employment income –after deducting their SEP IRA contribution - up to a maximum of $44,000. This way money lost to taxes is, in part, redirected to their savings.

To maximize savings and eventual social security income they both should put off retiring. A few more years can also grow their nest egg. A 65-year-old with just $50,000 saved who puts off retiring for three years and saves $500 a month during that time could have $78,000 by age 68, assuming a hypothetical 7.5 percent annual return[1].

By working a few more years, our hypothetical couple can postpone taking Social Security, which means they'll qualify for significantly higher payments. Delaying beyond age 62, social security payments increase by roughly 7 percent each year until one reaches full retirement age[2]. If they put off taking benefits beyond full retirement age, their payment rises anywhere from 5.5 percent to 8 percent, depending on the year they were born.

Invest aggressively. As a general rule, someone in their early to mid-60s might keep between 40 percent and 60 percent of their retirement savings in equities and the rest in fixed income.

They should also look to reduce their expenses now. And when they do finally retire, perhaps they should move where living costs are significantly less expensive.

If you feel you need to do more catching up on your retirement plans, give us a call or fill out the card so we can get you going.

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[1] the Russell 3000 (broad) index fund averaged 7.43% per annum over last 10 years
[2] www.ssa.gov/planners

FINRA
Financial Industry Regulatory Authority

January 10, 2008

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Reference: **FR2008-0102-0187/E** Org Id :00031012

REVIEW LETTER

1. Can you forge a retirement starting at 60 Article
   Rule: 2210
   1 page Fee: $100

Total Fee: $100

Attention: James Williams

Revisions are necessary for the above-referenced Can you forge a retirement starting at 60 Article (the "Article") to be consistent with applicable standards. We offer the following specific comments:

We note the hypothetical example included in the Article. However, in order to provide the reader with a sound basis to evaluate this example, pursuant to Rule 2210(d)(1)(A), a disclosure which states that the example is hypothetical in nature, does not represent any specific investment, and does not account for any fees or expenses associated with an actual investment, but if it had returns would be lower must be included. Further, a statement must remind readers that all investing involves risk, including the possible loss of principal and it is not possible to invest directly in an index. Thus, the Article must be revised to address these issues.

Although this material has been reviewed by the undersigned, Derek Ashworth remains your firm's regularly assigned analyst.

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If you have any questions regarding these comments, please contact me at 240.386.4500.

Sincerely,

Nancy M. Damiano
Analyst

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NOTE: *As a FINRA member, you are responsible for determining whether any communication with the public, including material filed with the Department, complies with all applicable requirements. The views expressed herein are solely advisory and do not constitute findings of compliance with, or violations of FINRA or SEC rules. It is assumed that the material does not omit material facts, contain statements that are not factual, or offer opinions that do not have a reasonable basis.*

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