

Book Review for 04/13/03 by Austin Spencer

Title: "Cracking Your Retirement Nest Egg Without Scrambling Your Finances"

Author: Margaret A. Malaspina

Length: 198 pages

Price: \$24.95

Reading time: 8 hours

Reading rating: 6 (1 = very difficult; 10 = very easy)

Overall rating: 4 ( 1 = average, 4 = outstanding)

"Cracking Your Retirement Nest Egg Without Scrambling your Finances" should be a standard reference for every adult who has a company pension plan. This book contains the essential knowledge you need to manage your pension savings and to determine the appropriate income strategy when you retire.

The author has strong communication credentials and a good background in financial services. Margaret A. Malaspina is a former Vice President of Fidelity and was part of the executive team that started Worth Magazine. Since the book is written as a resource manual the most appropriate way to discuss the book is to identify the big questions addressed by the author. My best guess is that most of the readers of this review don't have answers to the following questions:

How does one keep track of ones retirement accounts? Do you understand the fine print in your pension plan? What are the issues you should consider when deciding on a beneficiary? Do you understand the rules that must be followed for a rollover of your pension assets? What are the alternative strategies for handling pension assets once you have retired? What is the tax strategy most appropriate for managing your pension assets? If I was correct you should purchase this book!!

Is there additional information that one should know that is not covered in this book? Being a finance professor I am always concerned that individuals understand the risks associated with a given activity. Pensions may provide a convenient way to provide insurance to individuals who are concerned about the uncertainty of retirement income but the individual should think about whether they are adequately protected against the following risks:

1) The risk associated with the rate of investment returns. Many retirees currently have to confront the results of not considering this risk when they placed all of their retirement savings in the stock market only to see it evaporate. It is also possible that we will experience inflation in the future. About 18 months ago retirees in Argentina woke up to find the purchasing power of their currency had fallen by 70%. Could you handle either or both of these events?

2) Longevity risk. Many of us don't appreciate the recent advancement in medical science and the resulting extension of life expectancy. Yes you may live until you are ninety years old. Can you afford to support this extended period of retirement?

3) The risk that social security will be cut. Beyond 2030 there is a good chance some adjustment in social security will be made. The most likely adjustment may be to increase the age for full benefits to 70 years old. Are you ready?

The good news here is that with some planning, you can stretch your savings. By keeping things simple, you can avoid common planning errors. By understanding what you have to decide and when the decisions must be made you can move into retirement on solid financial ground. The cost of not knowing the rules and of missing key deadlines is high!!! You've worked too hard to subject yourself to the pitfalls of inadequate retirement planning. Act now and take control of your retirement plan.

Austin Spencer is professor of finance in the College of Business at Western Carolina University. His research interest centers on topics related to financial markets and financial institutions.