

<http://content.kiplinger.com/yourretirement/jumpstart/qjump110121.html>

Kiplinger.com Editor: *That wraps up today's Jump-Start Your Retirement Plan Live Discussion. There's a second chance to get free advice: Financial planners will be back online on Tuesday, January 25, from 9 a.m. to 6 p.m. EST.*

Julie: *I'm 57, and hoping to continue working full time at my federal job for several more years to defray the huge hit to my retirement caused by a recent divorce (my pension will now be 50% what I had counted on after 35 years of work). I'm diligently putting the full \$22k contribution in my federal Thrift Savings Plan; I earn too much to contribute to a tax-deductible IRA. I just bought a small home in the expensive San Francisco area, so unfortunately I have a huge amount of debt (\$415k first mortgage; \$98k HELOC); fortunately, at a low interest rate (4.25%).*

Question: I will be receiving an inheritance next month of about \$200k. Would it be wiser for me to pay off some of my daunting debt, or hold that money aside in investments/savings to use should I have to retire early for health reasons or job loss? I currently have about \$50k in "emergency funds" in savings. If you think I should invest the windfall, where?

Cary Carbonaro: Hi Julie,

I am sorry about your divorce. I think you should invest/save the windfall and have it grow and keep your additional emergency fund. All my clients who are wealthy have enough in investments to pay off their mortgages but don't. Your 4.25% rate is excellent! You get a tax deduction and if invested wisely should yield greater than 4.25% and then you have more options!

Best of luck to you!

Cary Carbonaro is a partner at Stonegate Wealth Management and works in the firm's Huntington, N.Y., and Clermont, Fla., offices.

Robert: *I am 64 and my wife is 63. We both, last year, converted our IRA's to a Roth's. I know there is some sort of withdrawal rule about '5 years' that deals with a Roth, but not sure how it works.*

Both of our IRA funds were converted in October 2010 and put in existing Roth accounts that we both already had some funds in. These ROTH accounts have been open for over 5 years. Do we have to wait 5 years from October 2010 to withdraw any of the converted funds from the Roth accounts without tax penalty?

Cary Carbonaro: Yes, you have to wait 5 years to withdraw any of the converted funds. You can withdraw the money that was already in the Roth, but it also has the same 5 year waiting period.

Cary Carbonaro is a partner at Stonegate Wealth Management and works in the firm's Huntington, N.Y., and Clermont, Fla., offices.

Cyd: *Hi. I am 57 and my spouse is 52. We have a junior in college and a special-needs son at home. Our home-equity line of credit is in year 2 of 10, 6% interest, \$86,000 remaining (\$1,200 monthly payment). The only other debt is a \$500 monthly payment car loan, in year 2 of 5, 5% interest, \$18,000 remaining. We are paying for the college education through savings bonds and the loan. I will have a pension, 403b, IRA, and Roth. My spouse will have a 401K, IRA and Roth. We max out our retirement contributions annually. If I plan to retire in 2014, should I pay off the car and HELOC, refinance the HELOC, or another option? Thank you.*

Cary Carbonaro: I usually like to use the heloc for the car since it is deductible. You maybe able to get a lower rate on the HELOC. Do you have a first mortgage? Rates are at historic lows of lower than 5% on conventional mortgages. I don't like to pay off car loans since they are a depreciating asset.

Have you looked into refiancing your mortgage and your heloc in one?
That may help with cash flow. I hope this helps.

Cary Carbonaro is a partner at Stonegate Wealth Management and works in the firm's Huntington, N.Y., and Clermont, Fla., offices.

kile: *My wife & I are both 43 and work full-time. We would like to retire to part-time at 47, and full retirement at 50. We have \$3M in assets (55% eq, 25% bonds, 20% cash) and own our home outright. We have not been able to find a good, consistent answer if we can achieve this aggressive early retirement. We anticipate our living expenses to be ~\$100M/year in retirement including taxes, and project our life expectancy to be 100.*

Cary Carbonaro: Hi Kile,

This is not an easy answer because we have to add inflation to this calculation. We use a financial planning program to calculate this number to say yes or no. Have you heard of Monte Carlo simulations? That will give you a range based on what happens with inflation, your portfolio return etc. You can try to find a program yourself but it's simple enough to pay a planner to run it for you. We would also factor in Social Security. Your portfolio performance is a large factor in determining if the answer is yes or no.

Cary Carbonaro is a partner at Stonegate Wealth Management and works in the firm's Huntington, N.Y., and Clermont, Fla., offices.

William: *I am 57. What is a good rule of thumb for rebalancing and how often do you rebalance? I used an old one from my grandfather for stocks and bonds. For example, $Agg(120 - my\ age) = stock\%$ $Moderate(110 - my\ age)$ and $convers(100 - my\ age)$. In my case, I use 110-57, so my stocks are 53% and bonds 47. Thoughts?*

Cary: Hi William,

It use to be 100 minus your age but this is a very old rule and most planners don't follow it. The

asset allocation mix is more important than this formula. We use risk tolerance questionnaires that look at behavioral finance. You should be able to find one online and score yourself. If you do, for example, 50/50 stocks and bonds, you have to have it broken down by asset class type: Small, mid, large, international, emerging, commodities, reits, TIPS, govt, corp, etc

I hope this helps!

Cary Carbonaro is a partner at Stonegate Wealth Management and works in the firm's Huntington, N.Y., and Clermont, Fla., offices.

Matt: *I'm 28 years old, married, and have a steady job that is very stable at which I earn ~\$90k/year in the Midwest. I own a condominium that's worth about what I paid for it 5 years ago. I max out my 401(k) each year, max out Roth IRA accounts for my wife and me, invest both of them in diversified index funds rebalanced semi-annually, and have about \$75k in cash accounts earning 3%. I also put away \$2k/year in a 529 plan for our future kids in order to get a tax break on contributions from my state.*

My question is this: What next? I'm doing all the basics, but it seems like there are other things to do to increase my net worth, lower my tax burden, or both.

Thanks for this wonderful day of advice!

Cary: Hi Matt,

Based on your age and income you are doing an amazing job! You are doing almost all of the basics well. There are a few areas I am not sure of and a one-on-one meeting might benefit you. Financial planning covers investment and tax planning-- which is what you are doing. Here is what I am not sure of: Do you have enough insurance in case of emergency? Any area of improvement in cash flow or taxes? How is your asset allocation and risk management? Index funds are great when the market is moving up but doesn't have as much protection when the market is going down. How do you know you are diversified? Are you saving enough to retire? Once you grow your net worth you may have estate issues based on your diligence (which is a good thing.)

The more you make, save and invest the more complex it gets. If you can do a one hour one on one I think you could get these specific answers. I hope this helps. Please keep doing what you are doing!

Cary Carbonaro is a partner at Stonegate Wealth Management and works in the firm's Huntington, N.Y., and Clermont, Fla., offices.

Read more:

<http://content.kiplinger.com/yourretirement/jumpstart/qjump110121.html#ixzz1CzzXWvXx>
[Become a Fan of Kiplinger's on Facebook](#)