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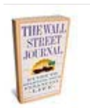

1 of 10
Go Forth and Multiply Your Savings

2 of 10
The Case for Buying a Home Right Now

3 of 10
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A Change of Plans

Don and Gloria Scott are among the many retirees who have had to refashion their plans due to market losses. Although the couple say they have never spent beyond their means and have saved diligently, the current economic turmoil has left "all bets off," the 66-year-old Mr. Scott says.

The Weatherford, Texas, couple say they are trying not to think too much about the stock market, and instead focus on the things they can control: working longer, spending less, taking smaller distributions from investments and keeping a portion of their earnings in cash.

When Mr. Scott decided to retire in 1999 from his position as vice president of an agricultural-chemicals business, he thought "we were in pretty good shape." At the time, the couple's net worth was around $1 million and Mrs. Scott was still working as an elementary-school teacher.

The Scotts decided to move to Colorado in 2001, with hopes of escaping the Texas heat and pursuing a lifestyle change. But a year later, the couple moved back to Texas because they couldn't find "meaningful part-time employment," Mr. Scott says.

Don and Gloria Scott

In 2002, they both secured jobs in Texas schools. Mrs. Scott works full time teaching computer classes in an elementary school. Mr. Scott is a part-time science instructor for economically disadvantaged high-school students, and has administrative and teaching responsibilities in a program that helps guide these students through the early years of college.

While working part time in a "meaningful career" was always part of their plan, "I used to tell the kids I don't really have to work, I do this because I am trying to help them," Mr. Scott says. "But I don't tell people that anymore." He says that the "little bit of money" from teaching "makes us feel a lot better than if we were just sitting there drawing out of our savings," he says.

In early 2008, the couple considered moving back to Colorado. They still own a small condominium there "and had dreams of making one last shot at living there," Mr. Scott says.

They had put aside $100,000 in cash for the costs of the move and a new home. But as the economy worsened, they decided to stay in Texas in order to hold on to their jobs and preserve their savings. They moved $75,000 into two certificates of deposit and $25,000 into a mutual fund. "We weren't willing to put all that money in the market," Mr. Scott says.

The couple's combined salaries amount to about $2,300 a month, and they take a similar amount in distributions from their investment portfolios, after recently cutting those withdrawals down from $3,600 a month. They also receive about $3,700 a month in Social Security and pension payments.

To guard against higher living expenses, the Scotts have long-term-care insurance policies.

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Go Forth and Multiply Your Savings

They are trying to pay off the mortgages on their primary residence and their Colorado condominium within 10 years and reduce spending. That means they are traveling slightly less and Mr. Scott is putting less money into his motorcycle hobby. Nevertheless, "we are not sitting here in fear" and will continue doing the things they love, including remodeling part of their home, Mr. Scott says.

—Shelly Banjo

Hands-On Investing

William Drury and Nicole Withrow

William Drury and Nicole Withrow like to know exactly what their dollars are doing. That's why the San Rafael, Calif., couple put much of their money directly into start-up companies rather than in mutual funds.

While Mr. Drury, a compliance executive with International Business Machines Corp., also invests in his company's 401(k) plan, and both have individual retirement accounts, they get more satisfaction -- and they hope, in the long run, more money -- from funding new endeavors than from owning shares of established corporations.

After getting burned in the dot-com crash, Mr. Drury, now 41, decided he wanted more control over where his money was going. He and Ms. Withrow, 36, now have about 40% of their long-term savings invested in her medical practice and in small companies like yacht manufacturer and importer Annapolis Performance Yachts and coupon Web site InstaSave, which is run by Ms. Withrow's brother. Ms. Withrow runs the Withrow Institute for Healing Arts, which specializes in traditional Chinese medicine, prenatal care and nutrition.

Their approach has its own risks, of course. The companies they've invested in aren't turning much profit in their early stages. The two-year-old yacht company, self-funded with four other partners, still only makes money from the importing side of the business. With the economy in such dire straits, newly manufactured yachts aren't in high demand. On the other hand, InstaSave is benefiting as coupons pick up in popularity, says Ms. Withrow.

While patiently waiting for the long-term returns on their investments, Mr. Drury and Ms. Withrow are keeping their day jobs and starting to cut back on some indulgences, including travel. For instance, Ms. Withrow took time off from work to accompany her husband on month-long business trips to India and Thailand last year; she isn't likely to do anything like that again soon.

The pair is also being more careful about day-to-day expenses. "We think about groceries. Not necessarily cutting coupons, but we think about where we're buying things," says Ms. Withrow. She also saves money by walking to her nearby office rather than driving.

One big expense weighing on the couple is their old house in Maryland, where they used to live. They now rent in California and own property there, too, hoping to build on it someday. They don't plan to sell the waterfront home in Maryland, outside Annapolis, until the real-estate market recovers a bit.

"The commitment is challenging," says Mr. Drury. "We'd love to be saving more. We'd love to not have the house in Maryland."

Ms. Withrow puts it more bluntly. "We're strapped," she says.

In addition to their start-up investments, Mr. Drury rolled old 401(k)s into IRAs and both he and Ms. Withrow have other IRAs and "relatively insignificant" stock holdings, says Mr. Drury.

He also socks away 6% of his salary into a 401(k) at his current employer, the maximum IBM will match. He used to contribute the absolute maximum, but he cut back last year to free money up for the boat company and his wife's medical practice.

The 401(k) is "a hedge" in case everything else doesn't work out, says Mr. Drury.

—Melissa Korn

A Personal Bank

Colby and Tiffany Olds

Colby Olds decided last year that he needed more control over his retirement savings and his finances in general.

Mr. Olds, a business-development executive for Vertical Prepaid, a provider of global prepaid and electronic-payment solutions, based in Sandy, Utah, decided that saving for retirement through a 401(k) was too constricting. So, based on advice from friends and online research, he moved his savings into a whole-life insurance policy that generates tax-free growth and still gives him access to his money.

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Mr. Olds, 35, says he wasn't comfortable locking his money away in a 401(k) until age 59 1/2. "So much is going to happen between now and then," he says.

He and his wife, Tiffany, who live in American Fork, Utah, were concerned about funding possible emergency expenses and the needs of their family, which includes four children, ages 11, 8, 5 and 3. They also worried about stock-market declines ravaging their investments, he says.

The couple, married 14 years, has relied exclusively on Mr. Olds's income since becoming parents. Mrs. Olds, who previously worked in fashion design and sociology, has been a stay-at-home mother and will likely do community-based work when their children are older, says Mr. Olds.

He closed out a 401(k) account totaling $50,000 in 2008. After taxes and early-withdrawal penalties, about $30,000 remained, which he used to buy a whole-life insurance policy through a local broker. Mr. Olds says the switch allows him to act as his own banker. He can borrow from the policy and make payments, with interest, back into his own account, instead of to a lender. For example, he borrowed $23,000 to buy a Dodge Caravan, which he's paying off at 8 1/2% interest over a four-year term. "I feel like I'm driving my retirement plan," he says. "My car payments are now my retirement savings."

Mr. Olds wasn't concerned about giving up matching company contributions to a 401(k), because his investment in the insurance policy, which pays dividends, protects him from the volatility that has recently devastated the stock market. He says he receives a "healthy" single-digit rate of return. Additionally, his family would receive a $2.1 million death benefit if he died, he says; with a 401(k), they would receive only the funds he had saved.

Mr. Olds hopes to accrue enough in the policy to fund the purchase of an income-producing asset, such as a condominium. He'd pay the debt back to himself while collecting the cash flow from the investment property.

At retirement, he can decide to withdraw a set amount per year, which, he says, he won't have to repay. However, the death benefit would be reduced by the amount he withdrew.

Mr. Olds says his family's finances have remained stable amid the current market chaos. "I'm not looking at 2009 trying to figure how I'm going to dig myself out of the market," he says. He tries to sock away 10% of his income, but some months are better than others, he says.

Mr. Olds is using the global economic crisis as an educational opportunity for his children. He says the kids have been worried because some school friends have moved unexpectedly after their parents lost their jobs.

"It's surprising how much discussion we've had about the economy with such a young family," he says. The family agreed on certain cutbacks in order to ease the children's anxiety. They decided to eat out less and to cut back on expanded cable-television services. "That made them feel better," says Mr. Olds.

—Suzanne Barlyn

Morgan Bondurant

A Lifelong Saver

Morgan Bondurant bought his first stock at age seven, attracted to what he thought was a cool-sounding name -- Pogo Producing Co. Mr. Bondurant, now 33, financed the $100 purchase with birthday and Christmas money.

He never spent his gift money, he says, because his dad told him to always invest. "I was brought up that way," says Mr. Bondurant, who lives in Starkville, Miss. He sold the stock at age 15 for $250.

Mr. Bondurant, a database administrator and Web programmer for East Mississippi Community College, says his father's financial advice remains a strong influence. His father helped him open an IRA at age 18, and then convert it to a Roth IRA at age 21. He's deposited $2,000 into the Roth annually since then.

Recently, the value of Mr. Bondurant's Roth has declined by more than 25%. But he adheres to his father's buy-and-hold mentality. "I personally believe the market will recover," says Mr. Bondurant, who invests the money in a global value-stock fund. "It's an opportunity for me to buy more shares for my Roth than I could have two years ago," he says.

Mr. Bondurant, who is single, contributes 7.25% of his salary to his employer's retirement plan, and the college adds the equivalent of 11.85% of his pay.

His father helped him purchase a three-bedroom, two-bathroom house four years ago by giving him a mortgage at a "market rate," Mr. Bondurant says.

Mr. Bondurant has recently cut back on spending in order to save extra money. "I started growing up a little bit when I turned 33," he says. He recently saved more than $300 by repairing an oil leak from his used BMW 325i himself. Interacting with other BMW enthusiasts online has been instructional, he says.

Renovating his college residence in lieu of rent taught Mr. Bondurant how to make repairs to his current home. Eliminating his landline and using only an iPhone saves Mr. Bondurant $37 per month. He forgoes eating out in the town nearest to his job, a 30-mile round trip. Now, he eats a $3 meal in the cafeteria or brings his own food. He also stopped using credit cards to rid himself of some remaining debt.

A passion for music brings in extra cash and offsets costs for socializing. Drinks are on the house when Mr. Bondurant plays bass guitar and drums with his friends at local clubs in their band, Passenger Jones. The group, which plays only original music, recently recorded an album, Float Slowly, for fans and friends.

Recently, Mr. Bondurant vacationed on a budget in Monterrey, Calif., where he stayed at his girlfriend's mother's home. He says he hopes he'll continue to pursue music during his retirement and travel, something he currently can't do often. He anticipates working until about age 60, but isn't worried about the financial direction in which he's headed. "I'm on good, solid ground," he says.

—Suzanne Barlyn

Maggie Rutherford

Moving Back Home

Maggie Rutherford views living with her parents as an opportunity. The 26-year-old medical-supplies sales manager decided the move would eliminate enough expenses to allow her to save for her own condominium.

Ms. Rutherford, who graduated from Bucknell University in 2005, recently moved to her parents' home in Atlanta after being transferred to the area by her employer, Cook Medical Inc. of Bloomington, Ind. She is a disciplined saver, stashing away 44% of each paycheck. Ms. Rutherford is working toward saving a 20% down payment on a home, a target she expects to hit within two years.

She relies on a variety of savings vehicles, including automatic transfers from her checking to her savings account, which she started when she began her job. Ms. Rutherford also invests in her company's 401(k) plan, receiving a 4% employer match, and saves additional funds in a Roth IRA.

Any further drop in stock prices may offer good opportunities for developing her portfolio, says Ms. Rutherford. She has an Ameritrade account with some stocks and mutual funds, but says she could "work on this more."

Avoiding debt is a key to her saving strategies. She started out in the work force without any college loans. "I'm very grateful to my parents," she says. Ms. Rutherford also pays her credit cards in full each month.

She has created a detailed budget and tracks her spending closely. "The budget is very important," she says. She was particularly disciplined about discretionary spending when she first started working. "I didn't buy any new clothes in the first five months of working, because I had to be very careful," she says. But now she splurges on pedicures about every other week and occasional department-store cosmetics.

Travel is also important to Ms. Rutherford, who has visited London and is planning a trip to Costa Rica. She hopes to visit Africa and China someday.

Ms. Rutherford has been aware of handling finances responsibly since first grade, when her mother opened a bank account for her. By fourth grade, she knew how to balance a checkbook. She recalls going to the bank with her mother, who would explain deposit slips and bonds, and show her the family's cash flow on a checking-account statement.

Her family provided the essentials but required her to save for special items. For example, she'd have to pay for the difference between a basic pair of shoes that her parents were willing to buy and an upscale pair that she wanted. "Saving became like exercise. My mom would ask us how much we'd save each month," she says.

Ms. Rutherford put away money from birthdays and small neighborhood jobs such as babysitting. She and her brother didn't receive cash rewards for achieving good grades and doing chores. "They were a given -- things my parents assumed," she says.

The current economy worries Ms. Rutherford, but not to the point of stress. "It's made me more conservative. I see more than ever how important it is to have emergency money saved up," she says.

She and her boyfriend are fans of cheap dates, she says, enjoying outdoor activities, such as biking, canoeing and picnics.

Long term, she aspires to a comfortable life for herself and future children. She also wants to have the means to help take care of her parents during their retirement.

"There are things you can't always predict -- both good and bad," she says. "It's better to be prepared. Just save until it becomes a habit."

—Veronica Dagher

A Leap of Faith

Jody and Rob Feczko

Jody and Rob Feczko bought a multifamily brownstone in Chicago in 2006. They live there now while renting out two of its units to tenants.

Buying the house was a big leap of faith for the two, who each earn around $100,000 and don't have huge savings. To fund the purchase, they sold a small house for $40,000 that they had rented out. They also sold the condo where they lived.

At first Ms. Feczko, 39, an education consultant, was against the plan. The next step should be trading up to a bigger condo, not buying a mansion, she thought. The couple's financial adviser ran the numbers, though, and showed them how the brownstone could work as a pillar of their overall financial game plan.

"It was a little weird to think that we couldn't afford a single-family home for half a million dollars and decided to buy a multi-unit home for $700,000 instead," says Mr. Feczko, a 36-year-old law-enforcement officer. "It's a scary number."

Mr. Feczko's father is a teacher and Ms. Feczko's is retired from the Air Force. The couple doesn't come from money, Mr. Feczko notes.

Hiring a financial adviser was Ms. Feczko's idea. She insisted on it, and the couple did a lot of research before hiring someone. The move has given her peace of mind, she says.

One of the first things the couple did after hiring the adviser was cut back on personal spending. The adviser helped them analyze where the cash was going, and it "was something to see -- a third of our money was going to leisure: eating out, etc.," says Mr. Feczko.

Another early recommendation from the adviser was that they consolidate several 401(k)s they had from earlier jobs into two IRAs at Vanguard. Now, they make maximum contributions to the accounts and each also has a Roth IRA.

Mr. Feczko works for the U.S. government, which provides a 4% match for his 401(k) contributions; the plan is a very good one, he says, with "lots of options and pretty low maintenance fees."

Because they are investing for the long term, the two have stayed with some fairly high-risk securities, which their adviser rebalances regularly.

A year ago, Ms. Feczko decided to spin a salaried post at a nonprofit into an hourly job. The change has given her more control over her schedule, and the organization is still letting her contribute to a 401(k).

The brownstone is working out well, though being 105 years old, it has needed some work, including fixing a leaky roof. To deal with that, the pair tapped a special savings fund they maintain for emergencies.

They also decided to renovate their basement in the bad economy, when contractors are willing to work for less. They had been sitting on the idea for a while because they knew it would be a big job; they needed to have a new foundation dug, among other things.

Having the work done now is a better use of their money than investing it in the market as initially planned, says Mr. Feczko. Contractors competed more vigorously than usual for the job, which has gone faster than it would in better times.

A new financial challenge came along for the couple on Feb. 14, when their first child, Calvin, was born.

Now, there's a list of things to be done with the baby in mind. Among them are to set up a 529 college-savings plan, update their will, and get life insurance. They're working on it, says Ms. Feczko.

--Arden Dale

—Ms. Banjo, Ms. Korn, Ms. Barlyn, Ms. Dagher and Ms. Dale are staff reporters for Dow Jones Newswires in Jersey City, N.J. They can be reached at reports@wsj.com.

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