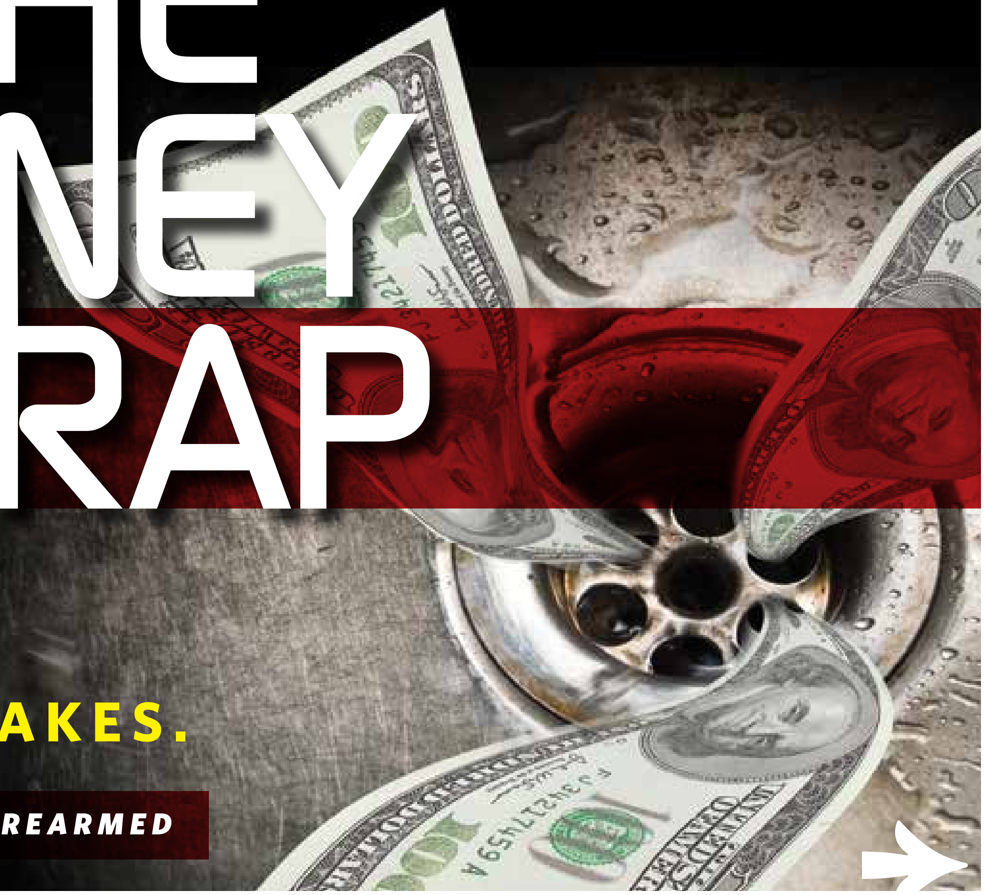
The Mix

A Potpourri of Encounters and Impressions

THE MONEY TRAP



REAL PEOPLE.
REAL MONEY.
REAL MISTAKES.

FOREWARNED IS FOREARMED

We look forward to our golden years as some distant future era, when we can relax in the Florida sun surrounded by loving children and grandchildren. But planning for that time requires more than just blissful visions — it requires a spot-on ability to predict the future. Or, for those of us without a crystal ball, careful planning and researched decisions. Because one wrong move can have implications that last a lifetime.

Lessons for a Shock-Free Retirement

[THE PLAYER]

Names: Sylvia Gershenfeld
No. of Children: 3
Age: 89
Place of Residence: New York

[THE BACKGROUND]

Retirement is a modern invention. The idea of a period later in life devoted to leisure, supported by government funding, which is taken for granted in our society, was an unknown concept throughout most of history. People expected to work until they died — and that tended to happen sooner rather than later. Even when the Social Security Act was passed in the US in 1935, establishing a national retirement age of 65, the life expectancy for men was 58.

That soon changed, but, nevertheless, the average person could expect to start working in his twenties, remain in the same firm until he retired some time in his sixties, and then live for about another decade. His pension, together with Social Security, would more than cover his financial needs for his retirement years.

No longer. If retirement is a modern invention, then retirement planning is a modern headache. Life expectancy has shot up — almost a quarter of Americans now live into their nineties — but at the same time, steady long-term employment is no longer a given. Current statistics show that the average person changes jobs ten to fifteen times during his working years — often with periods of unemployment in between.

Therefore, properly planning for one's retirement years has become more important than ever. It can be hard when we're young to think about the distant future — especially when we are consumed with the urgent demands of the present — but failure to do so can have dire consequences, as the following story shows.

SYLVIA'S NARRATIVE:

My story starts 30 years ago. Well, actually, it begins several decades before that — almost 70 years ago, when my new husband, Stanley, ran into Moishe Kleinman one day in shul. Moishe and Stanley had been close childhood friends back in Poland before the war. Stanley managed to escape to America just in time; Moishe had come over several years earlier. Now newly married, like Stanley and I, he had recently moved to our city. It was an emotional reunion, and the two men quickly renewed their old friendship. I became close to Moishe's wife, Ann, as well, and, in those postwar years, when extended family was so hard to come by, we treated each other like brothers and sisters.

Stanley was working as an electrician for a small company. It wasn't a high-paying job, but he made enough, and there was decent prospect for growth. Meanwhile, Moishe tried his hand at several business ventures. The first two attempts were short-lived. With the third business, however, he struck gold.

Not right away, of course. But his new contracting business showed promise right from the start. However, Moishe, determined to learn from his previous failures, understood that the only way to make it a genuine success was to invest lots of time, sweat, and love. To that end, he turned to his closest friend, Stanley, and begged him to come work for him.

"With your help, I know this can be a winner," Moishe urged him.

And, though Stanley and I had our real misgivings, ultimately, we decided that "family" — even if they weren't actual family — should come first. Moishe needed Stanley's help, and since early indications seemed to show that the business really did hold potential, Stanley left the security of his job to come help Moishe build up his enterprise from the ground floor.

Those early years were hard ones — there were many nights that Stanley wouldn't come home until midnight, and I would be left taking care of my three little children on my own. But Moishe's business instinct had finally shone true, and his contracting business blossomed. Over the ensuing decades, Moishe went on to specialize in custom kitchens, make a real name for himself among his upper-middle-class clientele. Moishe became quite a rich man.

Lest you think you know where this story is heading, I will state right here that Moishe remained loyal to my husband until the end. He never forgot what Stanley had done for him, how he'd stood by his side during those hard years, and once business began to boom, he made sure to pay Stanley a generous salary. I won't say that *we* became rich off of it, but we were able to live comfortably, raising our children and sending them to the best schools with enough funds left over to go on occasional vacations and also set aside a little in savings.

However, though we weren't big spenders, the savings never grew to anything more substantial than "a little." University education for our children, then wedding expenses, and soon enough, thank G-d, along came our adorable grandchildren — there always seemed to be something to do with our money. We realized that yeshivah tuition expenses had become much more of a financial burden in this generation than they were when we were raising our kids, and we were more than happy to help out our children with this expense.

Although retirement loomed by this point, somehow we were never really concerned. You see, Moishe had always promised Stanley that he would take care of us even after retirement — and, even should Stanley pass away first, he would continue providing for me. It wasn't a formal pension, you understand, but he gave us his word and we trusted it. That's how close we felt to Moishe and his family, after all these years.

Then, about 30 years ago, the labor union that my husband belonged to (in those days, unions put a lot of pressure on workers to join up) informed him that he was eligible to begin receiving the pension provided by the union. Stanley had only been vaguely aware that he was participating in a union pension plan, and when the representative of the plan sat down with him to explain his benefits and options, I suspect — though I wasn't at this meeting — that poor Stanley didn't want to admit how befuddled he was. The representative explained to him that he could either receive the full monthly payment immediately upon retirement, until his death — or he could choose to receive a reduced payment, but, upon his death, the benefits would transfer over to me.

This is what I now understand; however, at the time, he wasn't so clear on these details. Thirty years is a long time ago, but from what I can recall, when Stanley discussed this with me, he seemed to think that even after his death, I would still be entitled to something. At any rate, we reasoned, we didn't need to be so concerned with this detail, because hadn't Moishe promised to continue providing for me for my entire lifetime?

The future seemed secure — or, at least, it seemed vague and, even in our early sixties, far off. Who knew how long each of us would live? Moishe would keep us safe. In the meantime, we needed as much money as possible, now, to live the retirement life we wanted to live.

And so, Stanley and I decided on pension plan option one — the full sum. The document was duly signed, notarized — and forgotten. We never even received a copy.

Fast-forward 25 years. Stanley, my husband of 65 years, passed away. There were so many things to think, to do, to try not to think, and I was overwhelmed by it all. Finances, which I had never really thought about until then, suddenly became my domain. But the pension from the union was still being deposited monthly in my bank account, as was a "salary" from Moishe's business — now run by Moishe's children, as he had also passed away some time ago, but his children, bless them, were careful to respect his commitment to me and Stanley. So I had the money I needed and for that I was grateful. Without my husband, I felt like I had nothing else.

But the years crept by, and widowed life slowly took on a routine of its own. Sometimes I'd go to one of the kids for Shabbos; more often, I'd stay home alone. I liked the comfort of my home, and I had my own daily schedule: a walk in the morning to the corner grocery, a walk to the park in the afternoon. Activities at the local senior center. Life wasn't the same without Stanley, but I kept busy.

And then, one day, I got a letter in the mail from Stanley's union: *We would like to verify that Mr. Stanley Gershenfeld, pension plan recipient, is still alive.*

In five years they'd never been in touch, and suddenly they wanted to know if he was alive? Immediately, I wrote back that no, he's deceased, and sent them a copy of his death certificate.

The response was immediate.

Dear Mrs. Gershenfeld,

Due to your neglect to inform us of your husband's death, you have been mistakenly receiving your husband's pension payment *for five years. According to our records, this sum totals $31,898. We respectfully request you reimburse this amount in full immediately upon receipt of this letter.*

Well, when I read this, I began to tremble. Thirty-two thousand dollars! How in the world could I possibly pay them such a sum? An old lady like me, with no income? And then, fury took over. How dare they tell me I owed them money? Didn't I support my Stanley throughout his long years working? Don't I have a right to that pension as much as he did?

My son-in-law's brother, Barry, was a lawyer, and I asked him to look into this, sure that some illegal scheme was going on here, that they were trying to take advantage of an old lady. Barry asked me what exactly I had signed on to. But how could I remember, all those years back? And I didn't have a copy of the document.

At around the same time, I got another blow. I had heard some rumors here and there over the years about Moishe's business, that it wasn't doing so well. But I still kept getting my monthly salary from them, and I was sure that things were really fine. And then, one day, Moishe's daughter came over and informed me that they were closing up shop. Said something about the industry changing. If you ask me, his children just didn't know how to run a business the way Moishe and my Stanley did. I was even about to say so, but then I realized I had a more pressing question.

"What about my monthly wages?" I asked.

She didn't look me in the eye. "Yeah, well, that will have to stop. I'm very sorry."

"But... but... your father said he would always take care of us!" I gasped.

She shook her head. "I wish I could. I know how much you and Mr. Gershenfeld did for him. But I'm afraid we just don't have the money."

And then came the third blow. Soon after, I got a notice from my bank that my account was in overdraft. Overdraft! I'd never been in overdraft in my life! I ran right over, to see what had happened, sure it was a mistake.

It turned out that the union, not content with waiting around for me to pay them back, had withdrawn all of the money in my account — some $20,000 — as partial payment of the debt. When that month's electric bill came, it was, as usual, automatically withdrawn from that account — only there wasn't any money in the account to pay it. And now my bank was charging me a hefty overdraft fee.

I was beside myself. For all these decades, I had never had to worry about money, and now, at age 89, with no husband and no income, I was suddenly destitute. True, I had my three wonderful children, but none of them are wealthy, and besides, who wants to be a burden on her children?

Meanwhile, the union was still harassing me about paying the remaining $12,000. "What do you want from me?" I felt like crying. "I'm an old lady with no money!"

After several tense weeks, Barry, my lawyer, managed to convince them to accept a payment plan instead. Just $100 a month. He tells me he worked hard to get them to agree to such a low payment. I still think they're nasty people, trying to steal money from an old widow. But Barry — who did all of this work without taking a penny from me — tells me that legally, they were in the right.

So that's settled for now, at least. But I'm left with no pension, no salary from the store, and just a tiny Social Security allowance and a little bit of savings. How am I supposed to live on this?

Tips for Proper Retirement Planning

There's no one-size-fits-all formula when it comes to retirement planning, says Baruch (Brent) Labinsky, MBA, TEP, founder of Labinsky Financial and an ISA-licensed independent financial planner and investment manager based in Ramat Beit Shemesh. Everyone's financial and personal life circumstances are different, and their retirement planning must be individualized accordingly, ideally with the guidance of a professional. However, says Labinsky, there are certain broad principles to keep in mind:

Start young. There's a reason for the common aphorism that it's never too early to start planning for retirement. Retirement savings is based on the model that your earnings during your working years must provide enough for both your current needs and your future retirement needs. Even if you assume 40 years of employment — which, today, is less of an assumption than it used to be — the earnings from those 40 years must last you through what will *b'ezras Hashem* be many more decades to come. Pushing off retirement saving means that you will have a much shorter window to put aside the same amount of necessary money.

Another advantage to starting young lies in the magic word: Compounding. Money you invest in your twenties that lies untouched for 40 years has a lot of time to grow, as its capital gains and interest are constantly reinvested. Assuming the investing wisdom holds true — that over long periods of time the market tends to move upward — you will hopefully have a nice nest egg waiting for you by retirement.

Diversify. If the byword in real estate is location, its counterpart for long-term financial planning is diversification. It is never a good idea to put all your eggs in one basket, even if that basket appears to be a secure one. Labinsky has seen many cases where people relied on a rich relative, a family business, a large, single-asset investment (such as a single property), or even on Social Security payments — and then something happened to that one guaranteed income source, and their retirement plans went bust. Nothing in life is guaranteed, which is why it is essential to provide ourselves with multiple avenues of retirement income.

The diversity principle applies to spouses as well. If all of your retirement income is tied to your spouse, who was the sole or higher earner in the family, then you must make sure not to leave yourself too exposed in case he or she predeceases you. That doesn't mean that it is always the wrong choice to opt for the full pension benefit to last only for the beneficiary's lifetime, as the couple in the story did. If, for example, the husband has a large life insurance policy that would adequately provide for the wife in case of his death, then it might make sense for them to enjoy more of the pension money when both are alive. The key is to take the full picture into account.

Plan for all scenarios. Yes, we would all like to believe that our golden years will be spent together with our spouses, with both of us in good health, but, unfortunately, that isn't always the case, and we must make sure our financial plans are adequate to provide for us in all possible scenarios: together, in good health; together, but with one spouse incapacitated and in need of long-term care; or retiring alone, in the case of death or divorce.

Live life today with tomorrow in mind. Okay, you say. You understand the importance of saving for retirement now. But what if you can't? As it is, you are struggling just to cover your current expenses. You have absolutely no money left to put aside at the end of the month.

Sometimes this is because today's needs are genuinely urgent, and that means that this really isn't the right time for you to be saving. But more often than not, a good, hard look at your current lifestyle is required. Are you spending every last penny you earn to pay for your high mortgage, two cars, vacations, and other trappings of your life?

You need to give careful consideration to those expenses that you justify with the rationalization, "How can I live without this? Everyone in my community has this!" Realize that you are essentially borrowing money from your retirement years to pay for this lifestyle. While not easy, it is almost always possible to cut your expenses — even, when necessary, by moving to a community where the cost of living is cheaper.

"We all have the ability to make choices in life," says Labinsky.

Will following these steps ensure a smooth, worry-free retirement? Of course not; even the best-laid plans can go awry, and only Hashem can determine what our golden years will look like. Which brings us to the most important principle:

Daven. As always in life, hand-in-hand with our best *hishtadlus,* there should always be a hefty helping of prayer and *bitachon.*