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THE WALL STREET JOURNAL.

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JANUARY 8, 2010, 3:09 PM ET

VOICES: Dana Levit, On Retirement-Income Strategies

Dana Levit, a fee-only financial planner for 10 years, founded Newton, Mass. firm Paragon Financial Advisors in 2005. She is also president of PridePlanners Association, a non-profit organization that educates financial professionals about the planning needs of non-traditional families. Lately, she has been working with a number of clients who are being forced to retire.

I'm seeing a lot of people dealing with forced retirement. They're asking, "Do I have enough to retire? And if so, how do I structure my savings to provide the money I need when I need it?"

So I run them through retirement projections. Do you have enough to retire based on how much you spend? Maybe it's just the subset of the population I serve, but I'm finding that a lot of them do have enough to retire. It's heartening to see that people have done a good job saving.

In terms of how to structure their savings, my role is to create a system that provides a paycheck in retirement. I use a really simple illustration called 'the pantry and the garden' to explain the system. I first use half of their portfolio to build a 15-year ladder using Treasury STRIPS, this is the pantry.

STRIPS are like long-term savings bonds. You buy one for \$50,000, say, and it comes to you at \$100,000 20 years later. You buy them at a huge discount, which means you can get a lot of them without a lot of money. The STRIPS ladder gives clients a real sense of security, because we're setting up 15 years' worth of income.

The other half of their portfolio is the garden, which is the stock piece. I use mutual funds and keep it really simple, because people get confused otherwise. Each year we look and see if the garden has grown. Say 50% of the portfolio is \$500,000: If the garden gained \$50,000, we take that out and put it into the pantry by extending the bond ladder. Some years, like last year, the garden is a disaster, but my clients didn't panic because they knew they had that 15 years in the pantry. And over 15-year periods the stock market has never been down, so there's some confidence that they'll be able to make back their losses.

We drip the money from the bond ladder into their checking account, which helps them stick to their budgets. It's hard for people to budget if they don't have regular income stream. We're dripping into checking account only what they need for spending, because people tend to spend what they see.

So much of financial planning is managing people's anxiety. I think my role is not just showing people the financial path to take, but also allowing them to feel like they don't need to worry.



Dana Levit

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