"What you need to know; where you can find the answers; how you can take action. It is all here." —Dallas Salisbury, CEO, Employee Benefit Research Institute

(without living like a pauper or winning the lottery)

Gail MarksJarvis

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—**John F. Wasik**, Reuters Personal Finance Columnist and Author of *The Cul-de-Sac Syndrome*, *The Merchant of Power*, and *The Audacity of Help*

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Saving for Retirement (Without Living Like a Pauper or Winning the Lottery)

Updated and Revised

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To my adoring parents, Helen and Jerry,

and my delightful family,

Jim, Lauren, and Rebecca.

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Acknowledgments

Over the past decade, thousands of readers have called me or sent e-mails asking questions about the financial issues they struggle to solve. They have pulled me deeply into their lives, sharing their hopes and sometimes tears about their future and the role of money in life's challenges. I have been struck by the common questions and misconceptions that arise as people try to do what's right with their money. And I thank my readers for providing this insight. Their frustrations, both in interpreting financial advice and in using it, have had a major impact on how I have written my columns and this book.

I am grateful to the many sources of information that have been available constantly to me during 20 years as a financial journalist, especially to The Leuthold Group, Ibbotson Associates, Morningstar, Lipper, and the Employee Benefits Research Institute. Their research has enhanced my columns and also this book. I also want to thank the CFA Institute for introducing me to provocative thinkers ranging from John Neff and John Bogle to Robert Arnott and Jeremy Grantham. And I want to thank Harry Markowitz for explaining to me how modern portfolio theory has been misunderstood and misapplied.

I must also thank money managers, financial planners, and certified public accountants who have spent hours with me explaining how they make decisions for clients. Because they have helped me understand both the science and art behind their work, it is possible for me to give you the principles you need to help yourself. Special thanks are due to Gary Greenberg, Paul Lewis, Marc Hadley, Matthew Hanson, and Beverly DeVeny. In particular, Gary Greenberg must receive extraordinary thanks. He has been a friend and mentor for more than a decade, critiquing my columns and reviewing my manuscript.

As I look back at more than a decade of personal finance writing, I must thank my former managing editor, Chris Worthington, for nudging me to start my first personal finance column in the *St. Paul Pioneer Press,* editor Sue Campbell for encouraging me to write a book, plus Michael Lev, *Chicago Tribune* associate managing editor, and Pete Reinwald, Chicago Tribune Money and Real Estate Editor, for their continuous support. I also feel great appreciation for the team at Pearson FT Press, who enthusiastically welcomed the idea of helping everyday Americans handle their money and who piloted this book to publication for a first and second edition. My thanks go to Executive Editor Jim Boyd, Development Editor Russ Hall, Project Editor Jovana Shirley, and Copy Editor Krista Hansing.

Finally, my family has been extraordinary. I would not be writing this book in the first place if it hadn't been for my dear father, Jerry Marks, who taught me to write and, along with my devoted mother, Helen Marks, laid the groundwork for seeking answers and using them to make the world a better place. No thanks are enough for my cherished husband, Jim, and daughters, Lauren and Rebecca. They have been my editors, coaches, and friends. All cheered me on and graciously gave me space as I committed more hours to this book than any of us anticipated. Finally, I must thank my late brother-in-law and statistician, Tom Jarvis, for touting the power of compounding as a 20-year-old, while most of his generation was "living for today."

About the Author

Gail MarksJarvis is an award-winning, nationally syndicated financial columnist for the *Chicago Tribune,* as well as a TV commentator, speaker, and author of the best-selling first edition of *Saving for Retirement (Without Living Like a Pauper or Winning the Lottery)*.

Her columns on the financial markets, the economy, and personal finance strategy run in the *Chicago Tribune* and reach millions of readers in leading newspapers throughout the country. She has been recognized with more than a dozen journalism awards, including Best Financial Columnist from Northwestern University's Medill journalism school, a National Clarion Award for human rights reporting, and the 2012 Award of Excellence from the University of Minnesota School of Journalism and Mass Communication.

The first edition of *Saving for Retirement (Without Living Like a Pauper or Winning the Lottery)* received widespread national media praise. Oprah Winfrey placed it on her select list, MSN Money highlighted it as one of "Eight Great New Books About Money," and Kiplinger named it one of the "Great Money Books for Young Investors."

MarksJarvis delivers analysis and advice regularly on WGN-TV and radio, CLTV, and WTTW public television in Chicago. She has been a regular commentator for PBS's *Nightly Business Report* and on National Public Radio, and has appeared on CNBC, *PBS NewsHour, Fox Business, Talk of the Nation,* and the CBS *Early Show,* as well as on NBC, CBS and ABC affiliates throughout the country.

Formerly a reporter for public radio's *Marketplace* program and *USA Today,* MarksJarvis serves on the board of directors of the Society of American Business Editors and Writers, which sets ethical standards for business journalists. In speeches throughout the country, she simplifies the investing process so that regular Americans handle 401(k)s, IRAs, and 529 college plans successfully and without worry. Visit her on the Web at www.gailmarksjarvis.com and Facebook at gailmarksjarvis5.

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Introduction

A brilliant college professor at wits' end about investing first planted the seed for this book a few years ago.

Despite his accomplishments in the social sciences at St. Thomas University in St. Paul, Minnesota, he didn't have a clue about how to invest his money. He was in his 40s, had been saving for retirement for years, and didn't like the look of his future.

"There will be no golden years for me," he told me when he called my newspaper office.

This man had diplomas on his office wall and accolades for research in his field. But like the great majority of Americans, he felt like a dunce when it came to his money.

Every time he read a headline about the unstable future of Social Security and Medicare, he imagined himself eating cat food in retirement. He had just read an article that said people would need $1 million to provide $40,000 a year for living expenses after they retire. "Getting there is hopeless!" he said.

Actually, he wasn't in the bad shape he imagined. He had amassed almost $200,000 the hard way—socking away large amounts from his paycheck into a savings account. It was a flawed approach. He was earning virtually no interest. If he kept that up, I told him, he would never get anywhere.

Fortunately, he had options, and they wouldn't be difficult. They're the same options available to everyone. If he just invested money in a smart mixture of mutual funds in an IRA investment account, fed his retirement plan at work on payday, and kept stashing money regularly into the appropriate stock and bond mutual funds, he'd still have time to transform his lethargic, go-nowhere savings into the $1 million he wanted. He could actually save less than he had been saving and still make it to $1 million by investing with a little finesse.

During my years as a personal finance columnist, I have received calls from thousands of people asking for help with investing. They are surprisingly alike—rich and poor, young and old, highly educated and less educated. Yet they are all wresting with the same basic confusion as the professor.

Overwhelmed with the responsibilities of building careers, putting food on the table, or taking kids to music lessons and soccer practices, they have little time or money to devote to investing.

And they feel inept. They put money into a savings account, and it never amounts to anything. They put money into a mutual fund, and it evaporates through some mysterious process known as the stock market. They try to listen to financial experts, but they hear a language that seems to come from a foreign country. They consider investing, but they get those school-day pangs of math phobia. So they procrastinate and ruminate or defer to friends, spouses, or even incompetent financial advisers who know little more than they do.

When they call me for help, they think they are unique. Whether they're millionaires checking on the stocks their brokers picked or 21-year-olds trying to make sense of their first 401(k) at work, they are sheepish. They confess their ignorance to me and think they should know more than they do about investing in general or some aspect of it.

They think that somehow—maybe through osmosis—they are supposed to know how to handle their money. In fact, the majority of Americans do not.

In a 2004 Harris Poll of Americans, 76 percent said they didn't think people could handle private investing accounts if the federal government offered them for Social Security money. Since the horrifying financial crisis and market crash of 2008–2009, polls have shown that many individuals are so traumatized that they have stopped putting money into retirement savings plans at work. Others are shooting themselves in the foot with knee-jerk investing and setting themselves up for more losses and a disaster in their retirement years.

It doesn't have to be this way. The concepts involved in investing are not difficult. But the insider language of the financial services industry has made investing seem difficult. And neither schools nor employers have done much to help Americans understand the few basics they need and can handle.

People feel paralyzed. Stock market news sounds like chatter. People let valuable years pass by without starting to save in 401(k) plans or IRAs. Others invest but repeatedly commit the same mistakes, choosing mutual funds that were wrong for them or letting the stock market wipe out a chunk of savings they worked so hard to build in the first place.

If people get beyond the mystery language the financial world tosses at them, the concepts are simple. The average person can make them work with less time than they devote to planning an annual vacation.

And if you're nervous about math, relax. You need nothing more than fourth-grade arithmetic. In fact, with the free Internet calculators that I help you find and use, you don't even need to do any math.

I hate gimmicky books. And this is not one. I'm not going to promise to make you a millionaire. But I am going to assure you that if you start investing as little as $20 a week early in life, use a few basic investing concepts, and follow the steps I lay out in this book, an ordinary American can accumulate $1 million for retirement without living like a pauper or winning the lottery. If you missed out early in life, knowing just a few techniques that financial planners use will help you catch up.

All the conversations I have had with people like you tell me that, when you finish this book, you want to be smart, right, and fast about using simple ways to invest money. This book is designed to give you exactly that. I've listened to the investing messes people get themselves into and the confusion that thwarts their good intentions, and I've written this book to spare you the grief and give you easy strategies that work.

Too many books, articles, and workplace 401(k) instructions start you in the middle of the investing process. So you never get it, no matter how hard you try.

It's comparable to telling people not to get hit by cars when crossing a street but failing to tell them that a red light means "stop" and a green light means "go."

Somewhere along the way, someone taught you to recognize the lights, so you know how to take care of yourself in traffic. Now you are going to know how to take care of yourself as an investor, too. And as you step off the curb, you should feel comfortable, not worried.

Whether you are 15 and trying to figure out where to invest summer job money or 55 and coming up short for retirement, this book will help you. In easy language, I'm going to tell you what financial planners know so that you can think like they do instead of feeling like a foolish outcast from a complex secret society. But I don't bog you down with theory and rules. I just explain the gibberish and tell you how to apply it so that you can make wise, fast investing decisions yourself.

This is not complicated. You will find it reassuring. You will carry solid investing concepts in your brain from now on so that they become common sense—like stopping at red lights and driving through green ones, with barely a second thought.

How to Use This Book

Here's how to navigate this book.

I've organized this book based on the way people seem to think—step-by-step through the investing process, with everything explained simply. I start with your basic questions about how much money you will need by the time you retire and why: Is it $50,000 or $1 million? Without that information, you can delude yourself or worry needlessly. I don't want you to do either. I want you to have the facts so that you can take control.

Chapter 2, "Know What You'll Need," should be eye-opening for you as you contemplate your future and how to get there through investing. If you are in your 20s, you can move through Chapter 2 quickly to get a flavor for where investing is supposed to carry you. Whatever you do, don't skip the section on compounding. It's vital. It tells you how to apply magic to your money so that nickels and dimes turn into hundreds and thousands.

If you are older, you might wish you'd known how to harness that magical power earlier, but go for it now while you can still turn hundreds into thousands. Also, if you are approaching 35 or are older, spend some time in Chapter 2 and run the easy calculators I suggest so that, in ten minutes, you will know whether you are headed to the retirement you want or need to invest smarter. If you are approaching 50, running these calculations is essential so that you can catch up for lost time.

In Chapters 3, "Savings on Steroids: Use a 401(k) and an IRA," and 4, "An IRA: Every American's Treasure Trove," I start giving you the investing strategies you need to begin making a major difference with your money. I don't want you to suffer like the professor, pulling painful amounts of money out of your paycheck and getting nowhere.

If you've wondered what to do about a 401(k) or 403(b) at work, I answer every question you've ever had so that you harness the power of these money-making gizmos and transform pocket change into thousands. I do the same with IRAs, another tremendous money grower.

If you've maxed out all of these, I'll tell you what to do next. And if you have only a little money and are trying to figure out whether you should fund college for the kids or your retirement fund first, advice is on the way.

Then it's on to the stock market because you must invest in stocks and bonds and know how to do it right. If you've never invested a cent, you will find it fascinating to understand how stocks move up and down, and why, and what mutual fund managers do to try to make your money grow. If you've been investing for a while and mutual funds seem to act in mysterious ways, eating your money instead of growing it, I put an end to that.

I know that some people feel betrayed by Wall Street and misled by investment professionals. Too many empty assurances and stock market cheerleaders misled people in the financial crisis. Too many short-sighted financial advisers lulled individuals into thinking that stocks were safer than they are. I am not a stock market cheerleader.

Instead, in Chapter 6, "Why the Stock Market Isn't a Roulette Wheel," I unveil the Jekyll-and-Hyde nature of the stock market. Then in subsequent chapters, I show you how to survive and thrive no matter how cruel the stock market becomes.

In Chapters 8, "Making Sense of Wacky Mutual Fund Names," and 9, "Know Your Mutual Fund Manager's Job," I decipher the wacky names you see on mutual funds so you know what to pick and why. You can read over Chapter 9 quickly at first, but you'll want to come back to it whenever you have a mutual fund choice to make for a 401(k) or another retirement fund. For IRAs, some specific fund names in Chapters 9 and 13, "Index Funds: Get What You Pay For," will help.

Ultimately, I teach you to mix and match the right funds so that they do no harm and give your money a good jolt. Chapters 10, "The Only Way That Works: Asset Allocation," and 11, "Do This," keep you from running in front of oncoming traffic. Chapter 11 is like a paint-by-number chapter for mutual funds, or a cookbook with easy-to-follow recipes. It helps keep you from using too much of one ingredient and not enough of another.

When you arrive at Chapters 13 and 14, "Simple Does It: No-Brainer Investing with Target-Date Funds," you will be ready to take some shortcuts with your money. You might wonder why I didn't start there. People destroy thousands of dollars by using shortcuts in the wrong way because they didn't understand the stock market or mutual funds at the outset. With shortcuts, you can make money easily, but only if you don't commit the mistakes the earlier chapters help you avoid.

This book is all about making money and keeping the money you make. So learn the logic and basics of investing first, and then head to the shortcuts if you want.

Finally, Chapter 15, "Do You Need a Financial Adviser?" helps you find reliable advice if you think you need it. Some people go to advisers as a first step, an easy way out. That would be fine if all financial consultants were capable and interested in people like you. Unfortunately, too many aren't. They can't put food on their own tables if they spend time telling you how to invest a couple of thousand dollars in a retirement fund at work.

So get informed about both investing and picking qualified advisers. Then if you seek help, you will be the type of client that good financial planners say they like best: informed, smart, not a coward, and not a daredevil.

Jump right in—no more thrashing about in the dark, no more second-guessing. You are about to become a competent, confident investor.

1

START INVESTING EARLY OR START NOW

What a confusing mess.

Whether you are 25 or 45, you are probably getting this message from hearing political bickering over Social Security, chatter at work, or conversations with friends or relatives: You need to figure out how to save more and invest right for retirement so you don't end up living a dreary life in a broken-down hovel when you are 70.

Yet responding is daunting. The recession of 2008 might have destroyed a good chunk of your savings and left you insecure about your future and investing. You probably have a job that takes too much of your time, family and friends vying for your attention, a need to have a little fun and more sleep, loans to pay, and a paycheck that is already stretched to the limit. In short, you are like most Americans: stressed out about time and money.

So maybe you look for a quick fix: Perhaps you turn to a friend, coworker, neighbor, or spouse, thinking that person must understand the mystery behind the befuddling process of investing better than you. Maybe you defer to that person, sticking your money where he or she says to put it or second-guessing yourself.

But you could end up like Lorraine, the 72-year-old woman who called me for a way out of her job at a Minneapolis dry cleaner a few years ago. Despite failing health, she couldn't quit because she had turned to a coworker for advice on her $120,000 in savings. She had done exactly what he suggested and put the full $120,000 into a mutual fund that had made him a lot of money. Unfortunately, like most Americans, he knew little about investing. The mutual fund he recommended turned out to be a disaster. Lorraine lost all but $55,000 in a few months, and if she had responded to her aching back and knees and retired at that point, she wouldn't have had enough to cover rent, food, and medicine each month. She could count on only about $1,000 a month from Social Security and not even $400 a month from her savings.

At 72, Lorraine's mistake was a devastating one that would keep her toiling at the dry-cleaning business for years longer. But people of all ages commit similar errors when they follow their friends and coworkers—or even worse procrastinate.

If you have been procrastinating, you are the norm, not the exception. Over the years, I have heard from thousands of people like you. You might be afraid of making a mistake with your money. You probably promise yourself that when you have more time or more money, you will figure out the 401(k) retirement plan at work or sort out all the TV blather and hype about IRAs, mutual funds, and the stock market.

But if you follow the usual pattern, the extra money never materializes. If you are like today's average college graduate, you start life sickened by the $25,000 in college loans overshadowing your future. You are figuring out your job, or hoping to find the right one. You tell yourself that you'll have plenty of time for retirement saving later and that making sense of the confusing 401(k) plan at work can wait another day.

Then come car payments. And time passes. There's still no money left just before payday, and you are so busy you can hardly think. Next, your first home and mortgage payments arrive, maybe along with kids. Soon you are buying Adidas and PlayStations, helping with homework, and rushing from work to parent–teacher conferences at school. And the kids' college years get closer and closer, with nothing stashed away to pay for any of it.

That's why you need to start saving small amounts for retirement now and, if you've already begun, to invest smarter now so that each penny counts. What you do matters. And saving early matters greatly: It saves you from the heavy lifting you will need to do if you wait. Here's the illustration often tossed about in training seminars for financial planners:

Imagine twins at age 21. One twin decides to start stashing away money. She opens a Roth IRA, a magical moneymaking tool I explain in Chapter 3, "Savings on Steroids: Use a 401(k) and an IRA."

She puts $3,000 into that Roth IRA retirement savings account at age 21, invests it in the stock market, and adds another $3,000 each year for the next five years. After age 26, she never puts any new money into that account. As the years go by, her money grows an average of 10 percent a year in the stock market. And when she retires at the end of her 65th year, she has more than $1 million, or roughly $1,048,000.

Now consider her sister, who decides at age 21 that she has plenty of time left to save. She waits to start until she is age 30. Then she invests $3,000 in the same mutual fund her sister has been using for years. Every single year until the day she retires, she diligently invests another $3,000.

Despite that determination, she never catches up to her sister. The twin who waited until she was 30 ends up with only about $987,000, about $61,000 less than the sister who became an investor at age 21. And to amass that smaller amount, the 30-year-old put aside a total of $108,000 of her own money, or $3,000 year after year. Contrast that to the sister who started at 21. She took only $18,000 out of her pocket during six years; then not another penny, and yet she ended up with more than $1 million.

Let's look at this another way: Assume that you want to have $1 million when you retire at the end of your 67th year. If you start investing at age 20, you will have to put only about $20 a week into a mutual fund to get there if you earn an average of 10 percent a year. In other words, you would invest roughly $1,050 a year and earn approximately what the stock market has historically provided investors.

But if you wait until you are age 25 to start, you'll need to invest about $33 a week, or roughly $1,700 a year, to get to $1 million. If you are 35 when you start, you will have to save about $87 a week, or approximately $4,500 a year. And if you are 45 and haven't saved a dime, you will have to stash away about $245 or $12,750 a year, to get to the same point at retirement that a 20-year-old does by investing only $20 a week. You can try this yourself on an Internet calculator like Millionaire Calculator, at www.timevalue.com/products/tcalc-financial-calculators/millionaire-calculator.aspx, or the Compounding Calculator, at www.moneychimp.com. (Keep in mind as you use various calculators that each rounds numbers and makes assumptions about timing; outcomes will vary somewhat. Seek a ballpark idea instead of expecting a precise number.)

The moral of this story: Start investing early because your early savings magically transform nickels and dimes into thousands of dollars. You might think you are making a sacrifice to save when you are young, but you are actually making life easier on yourself later.

On the other hand, if those early days have already passed you by, don't think saving is futile. Starting now still puts you way ahead of where you would be if you waited ten years or even a few more months. If you are 40 and start investing $50 a week sensibly now, you still could have about $300,000 when you retire. Is that a lot or a little? I'll help you put that into perspective in the next chapter.

The key is to start now because today's money will get you much further than next month's.

Feeling Incompetent

Let me assure you; if you doubt your capability to invest wisely, you are not alone. In a Harris poll of people who were investing in stocks, bonds, and mutual funds, only 2 percent said they felt like they knew everything they needed to know to make their investment decisions. Eighty-two percent wished their financial advisers would do more to educate them so they could make better investments.

If you were investing in a 401(k) or IRA at the beginning of 2000, you are probably still wondering where half of your hard-earned money went then, what you did wrong, and how to fix it so that it never happens again. If you regained most of your money after that miserable period and then got slapped again by the 2008 financial crisis, you might be wondering whether investing is a losers' game that you can't possibly win. The bruising blows of two of the worst stock market crashes in history probably eroded what little confidence you had.

This book removes the confusion and helps you put your good intentions into action that works. Saving merely $20 to $50 a week now can rather easily set you up for a $1 million retirement if you start when you're young, understand my simple lessons on the stock market and mutual funds, and use retirement accounts that give your money the best boost possible.

I don't thrust theory and tips at you and send you away to struggle with this later. I tell you where to go to get the best investment deals and how to buy what you need to buy. I provide models that you can easily copy. There's no "just trust me" to this book; you learn *why* you are doing what I'm telling you to do. That will give you the confidence to proceed through life even when the stock market seems scary. Anyone who has graduated from high school has the innate ability to grasp and do what I suggest.

Shared Ignorance

If Lorraine's story didn't make you cautious about trusting another person with your money, maybe this one will show you that you are part of a large club of people who are all in the dark about handling their money.

A couple years ago, I got a call from a 25-year-old who had just graduated from business school. He wanted to know the names of good index mutual funds and where to find them. In Chapter 13, "Index Funds: Get What You Pay For," I tell you more about these funds because they are an excellent, and easy, investment choice. But for now, I merely want you to focus on this 25-year-old business school graduate.

He'd learned in business school that an index fund was a smart way to invest. But that was it. He still had no idea how to put the concept to work. So he called me for advice.

"Where do I find the best index fund, and how much money do I need to get started?" he asked.

I ran his question in my column, along with tips for him, and it caused quite a stir among my readers. Because his question was so elementary, some of my readers were sure that either the question was a phony or the young man had attended a rotten university.

Neither was true. And I tell you the story now, as I told it then, for one reason: A person can be educated in business, run a business, be brilliant in math, and read the business pages in newspapers, and *still* lack practical tools for investing, such as where to find a good mutual fund.

So before you turn over your investing decisions to a friend or spouse, think twice about your own capabilities. As a columnist, I constantly hear from perfectly capable people with valid questions. Still, they believe they are unusually ignorant. They almost always start their calls to me with a confession: "I don't know what I'm doing." Many assume they lack some innate ability. But it just isn't true. The language of the financial world simply makes people *feel* incompetent, and the stock market unsettles people because it appears to work in mysterious ways.

Yet you should know that few people have an edge over you. A stunning number of multimillionaires and successful businessmen ask me to review their investments because they aren't sure whether their broker has led them astray.

Keep this in mind: The person you think is so advanced compared to you might simply *appear* more confident or more educated. He or she might simply be more willing to jump into the task of investing money. But you can do it, too—and maybe better than a financial adviser—if you merely follow the steps I lay out for you.

If you learned addition, subtraction, multiplication, and division in grade school, you have more math than you will probably need. And the Internet calculators I suggest will do the work for you. Eventually, you will be able to eye your 401(k) account or an IRA and quickly pick mutual funds with the ease you would in following a recipe. And you will feel comfortable that you won't live like a pauper now or when you retire.

Get Real

People are great at deluding themselves and telling themselves that everything will work out when it really won't.

A few years ago, Towers Perrin surveyed people within 10 years of retiring. Among those who had saved nothing, 58 percent not only were confident that they would have everything they needed in retirement, but expected to be able to take trips and buy luxuries, too. This delusional thinking gives new meaning to the term *American Dream.* We are a nation of optimists, but this takes it a bit too far.

Don't fool yourself. If you don't save, Social Security alone won't do it for you, even if the system lasts instead of crumbling the way some analysts are predicting. You won't be buying luxuries. You will be wondering how you will pay for electricity and heat your home or apartment. According to a survey of seniors done by AARP, half of retirees worry they won't be able to pay their utility bills in the next few months.

And it's no wonder. About half of seniors now depend on Social Security to cover at least 50 percent of their living expenses. And the average senior gets about $1,200 in Social Security a month.

So let's get real. Think of your lifestyle now and how you'd handle it if you were living on just $1,200 a month.

But let's take this a step further. Imagine that you are positioned like half of Americans who are 10 years away from retirement: You have $103,200 or less saved for retirement. (That's what the Congressional Research Service found in a study.) What would $103,200 give you? About $345 a month for living expenses. Add that to the average Social Security payment of $1,200, and you would have $1,545 to live on each month.

How does that sound?

Oh, and one more thing: People often think Medicare will cover all their health needs during retirement. But that's not true. The average retired couple has to pay about $330 a month for extra health insurance because Medicare pays only part of what people need, according to the Medicare Payment Advisory Commission. And then there are prescription drugs. Remember, older people aren't usually as fit as younger people.

Perhaps you've heard that a new Medicare program provides free drug coverage. But that's not true, either. It *helps* pay for drugs. Even with the new coverage, the ordinary retiree must spend about $790 a year for prescriptions, according to a Congressional Budget Office estimate.

So now look at a monthly income of about $1,150 after paying for medical insurance and medicine.

Could you handle it?

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