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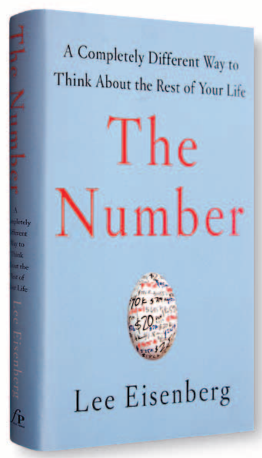
# Retirement 101

## The Reasons and Remedies Beyond America's Failure to Plan

***Review by James Brumley***

Millions of people in the United States are going to fall short of their retirement needs … and not just in terms of money. It's not a topic many of these people are interested in discussing, as it may cause various levels of distress, even anxiety. However, aversion to addressing retirement planning *now* sets up certain — and greater — worries later in life.

As Lee Eisenberg points out in his book *The Number*, it doesn't have to be that way. All that's needed is some attentive and honest thought about what one wants in life. In that light, *The Number* is less about financial or investing "how to," and more about life planning. And better life planning usually results in stronger financial positions once retirement begins. Simply put by Eisenberg in the prologue: "This book is about money, but ultimately it's about the life you want, the life you don't and the costs of each."




**THE NUMBER**
**by Lee Eisenberg**
*Published by Free Press/Simon & Schuster, Copyright © 2006, 268 pages, $26.00, ISBN-0-7432-7031-1*

## What Do You Want From The Second Half Of Life?

One of the most refreshing components of this book is rooted in the fact that Eisenberg, although fully qualified to write on the subject, is not a financial planner or investment advisor. Free of all the technical jargon and formulaic approach one might find in books stacked near this one in the library, the reader is spoken to in plain English. It's easy to understand and, more importantly, gets straight to the point. *The Number* is about realistically defining a specific dollar amount a retiree will need to save when he or she finally leaves the workforce. However, relatively few pages address the calculation of that figure: For Eisenberg, there are more important things to discuss.

Why? Because Eisenberg believes a specific dollar amount is secondary to the more burning issues every retiree will eventually face. Using case studies and introspection, Eisenberg walks a reader through all the tough questions that should be asked *before* retiring, not after. Yes, at the end of the day, he says, the amount of money you have determines what you can do in retirement, but no amount of money will actually make you happy. *The Number* could be considered groundwork for making sure both pieces of the puzzle are in place.

## Which Type Of Person Are You?

Eisenberg establishes four distinct personalities — Procrastinator, Plucker, Plotter and Prober — one of which will apply to every reader. It's a clean, thorough classification system that includes characteristics of each type to help the reader identify which of the four he or she may be. For each type, Eisenberg includes the modus operandi as well as a planning profile, details which set his book apart from others.

When considering the Pluckers, Eisenberg suggests that this group doesn't necessarily think through a retirement goal but rather plucks one randomly out of the air. He identifies the plucker's modus operandi as guessing and sums up the group as scatterbrained. The other groups have different but equally problematic flaws, and each is similarly supplied with a summary description. Probers or "right-brained" types, for example, may be subject to over-fulfillment later in life, while Plotters or "left-brained" people risk losing sight of what's important in life because they're too busy with

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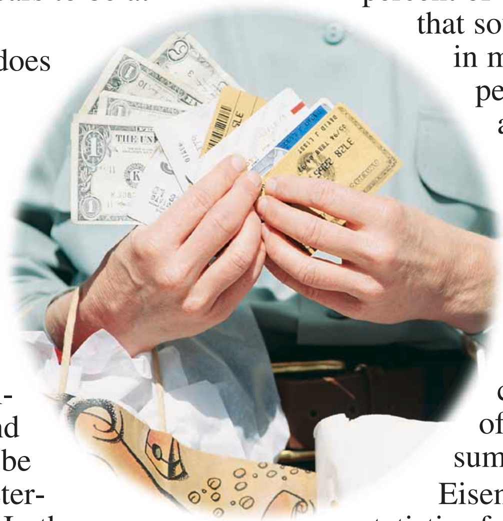
processes and information. Eisenberg's final group, the Procrastinator or "brainless" type, appears to be at the most risk.

Though Eisenberg does not immediately tell why the personality types are important, the four basic types of people are revisited with examples in later chapters. Each example adds another layer of depth to the personality type, and by the end of the book it should be easy for readers to determine which they are. In the process, Eisenberg suggests they'll also learn how this can help them improve the rest of their lives.



## Debt Warp

Eisenberg boldly identifies what may be the biggest reason most people ultimately fail to reach their dollar goals: debt. He then proceeds to explain how we get there in the first place. It has little to do with financial controls and budgeting, he says, asserting that the culprit behind overspending is the attitude largely imposed upon us by our society.

In Eisenberg's view, peer pressure, on a societal scale, leads to what he labels "Debt Warp" — a condition where values about avoiding debt are eroded by a barrage of consumption encouragement. Most consumers may not even realize it, he says, because they're desensitized. Magazines, television, retailers and other sources inundate the public with easy ways to get fulfillment now, while consequences are never mentioned. Eventually, the consequences — and how they might affect the future — don't even occur to the spender.

## Eye-Opening Stats

Eisenberg supports his position with a barrage of statistics. He notes, for instance, that the richest 1 percent of Americans carry 6 percent of the nation's debt. Simultaneously, the poorest 90 percent of Americans carry 70 percent of the total credit debt. If that sounds equitable, keep in mind that the richest 1 percent of Americans also control many times more than 6 percent of the total wealth. Excessive debt, mostly due to guilty pleasures, is keeping the "number" needed for a successful retirement out of reach for most consumers.

Eisenberg excels at using statistics for effect, not filler. He never allows an elaborate record of facts to slow the pace of the book, but rather offers select stats to shock the reader to full attention. For instance, some may be surprised to know that 80 percent of all employees eligible to enroll in a work-sponsored retirement plan do, indeed, contribute 5 to 6 percent of their pay to such plans. While that degree of participation might seem to contradict the premise of Eisenberg's book, the fact that most workers will still be unable to retire with enough assets despite a high degree of 401(k) participation is one of the author's key points. In other words, although many people take the right steps, they are still making grave errors, such as improper asset selection, extreme debt and misplaced priorities.

Even harder-hitting is his comment that while one out of two people may question whether their retirement will be as comfortable as their working years, this leaves 50 percent of retirees not saving enough. And four out of 10 workers save absolutely nothing for retirement. Eisenberg notes that the number of Americans saving for retirement has not increased in the last three years; only 18 percent of workers have more than $100,000 in accessible retirement assets.

Debt statistics are also strategically placed throughout the book. The Federal Reserve's decision to lower interest rates in the early 2000s, for example, made credit "easy" to come by, exactly as intended. But Eisenberg's research explains a grim result of cheap credit: Between 2000 and 2006, automobile loans and credit card debt in the United States increased by 33 percent, and mortgage debt increased by 50 percent.

Eisenberg uses such disturbing evidence to incite his readers to a direct and honest evaluation of their own situations. But, despite the punch provided by such statistics, there are few references to where the data originated. While this omission does not reduce the book's strength, credited sources would have given Eisenberg's effort greater impact.

## Eisenberg's Uncertainty Principles

In keeping with the best of such books, Eisenberg offers something unique — in this case, the impact of uncertainty on long-term financial health. His six "Eisenberg Uncertainty Principles," detail the reasons most workers avoid planning for the future. They include:

1. The uncertainty that results from living in a society and culture so steeped in the moment, awash in debt, that there's little social or peer pressure to get one's financial house in order.
2. The uncertainty and lack of motivation that comes from not knowing how money works.
3. The uncertainty caused by knowing that old retirement support systems are withering away.
4. The uncertainty caused by the immense cloud that hangs over future retirement benefits.
5. The uncertainty that comes from failure to see the larger picture in all of the above.
6. The uncertainty over what truly matters at the end of the day.

These six principles are the core components of his book. Most are illustrated with examples and case studies. Eisenberg's first uncertainty principle addresses his belief that our society is focused almost entirely on instant gratification, with no social or cultural encouragement for anyone to make smart money decisions. Another principle he addresses is the likely or perceived failure of current retirement-income institutions. Through his use of case studies, statistics and other examples, Eisenberg encourages the reader not to count on questionable sources of retirement funds, since they really might not be there when the time comes. Instead, he stresses that each person's financial destiny is in his or her own hands.

Eisenberg's other four principles are of the same scope, and have the same degree of impact on the way we each think about our own number. And to his credit, although he doesn't specifically label the examples so clearly in the latter part of the book, Eisenberg does offer convincing evidence that his six uncertainty principles are at the heart of the failure-to-plan problem.

## Ten Simple Investing Rules

What money book would be complete without a list of 10 things? Eisenberg's list includes 10 investing rules — commandments as he calls them — that are applicable to anyone looking to reach their target number in life. Some of his commandments are obvious, and none will be a surprise, even to a non-investor. For instance, he suggests that investors should mirror the patience of a nesting hen. Another commandment is simply to avoid fees and commissions.

Any investor knows, however, that

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following simple long-term rules can be difficult when things don't work out as expected in the short-term. Eisenberg addresses this with four reasons why investors can't stick to their own rules. One of these is simply the abundance of choices for consumers. When forced to pick between stocks or funds, full-service or self-service, aggressive or conservative styles, an investor can be overwhelmed. The easiest choice of all, suggests Eisenberg, may be to do nothing. Of course, doing nothing would violate several Eisenberg principles — especially the failure to plan.

## The 'Sweats'

In his chapter "Night Sweats," Eisenberg taps into what he believes are nagging doubts his readers have about their dwindling or under-performing retirement accounts. "It's 10 p.m.," he writes. "Do you know what your number is?" Anyone who has ever been startled by the dire thought of retiring poor can relate. Here, Eisenberg goes to the financial experts, beginning with a description of his visit to the Boston offices of Fidelity Investments, "the big player" in the financial services industry, as he calls them.

The reader walks with Eisenberg through Fidelity's doors, feeling the "nip" of air conditioning after the heat of the streets — an amusing commentary in itself, intended or not. Eisenberg passes on the chance to give us a peek at the big player's working environment, but makes up for it with snippets of his interview with Fidelity COO Bob Reynolds. A 20-year veteran of 401(k) management strategy at Fidelity, Reynolds tells Eisenberg that in his view, most Americans' approach to retirement makes it "the biggest do-it-yourself project ever." A Fidelity white paper on the subject states that, even when Americans finally do address retirement issues, they typically "play it by ear."

Eisenberg doesn't spend too much time with Fidelity, but he allows enough in from this respected source to bolster his argument without sounding like a commercial for the financial services industry.

## Downshifting

The concept of downshifting may be Eisenberg's ultimate lesson. As he describes it, downshifting is the fundamental change or adjustment a person should make once they retire. It's a clever and appropriate choice of words. While Eisenberg says the general expectation for an under-funded retiree might be a lower standard of living, in *The Number* he makes it clear that the so-called "standard" is a construct created by others and may have nothing to do with actual quality of life. He further argues that in the second half of life, money isn't as important as fulfillment — a duality that most workers and retirees struggle with constantly.

The book makes a powerful point about the changing perception of time and priorities as people shift closer to the end of life than the beginning. To Eisenberg, the point of retiring is to enjoy laughter, friends and giving back; he wants to make it clear to his readers that money in itself is not going to be enough.

## Deliberately Different

Should an investor expect to read *The Number* as a "how to" resource and magically calculate the precise dollar amount he or she will need to retire, they'll be in for a surprise, albeit a pleasant one. Eisenberg's book is one of the few that deals with the more important "why" issues, such as why decisions aren't made sooner to ensure a successful retirement. In many respects, *The Number* should be a first read for a new investor. It is an easy-to-read work, delivered in a believable voice from an author who has no hidden agenda. Even moderately experienced investors, as well as anyone who has yet to map out a financial plan, will enjoy this fresh look. ■

**The author:** Lee Eisenberg is a former editor in chief of *Esquire* magazine. During his 20-year tenure, *Esquire* won National Magazine Awards in several writing and design categories. Most recently Eisenberg served as executive vice president and creative director at Land's End. A contributor to *Money* and *Fortune* magazines, Eisenberg is also the author of *Breaking Eighty: A Journey Through the Nine Fairways of Hell*.

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