



Uncommon Sense

One earner, two retirements? Yikes!

A single breadwinner can fund retirement for two with careful planning and disciplined saving. Or you can save (and worry) like me.

By [MP Dunleavy](#)

Editor's note: Columnist MP Dunleavy and eight other women have come together online to strip away the myths surrounding money, lay bare their assets and liberate themselves from debt. Follow the quest for financial fabulousness of these "[Women in Red](#)" every second Monday in Dunleavy's column on MSN Money.

All figures in this article are in inflation-adjusted dollars. All retirement calculations assume retiring at age 70, growth of 7%, inflation of 3%, 1% portfolio fee, Social Security benefits of \$15,000 a year for Anna and MP, \$7,500 for spouses.

I was excited when I told my cigar-chomping editor several weeks ago that I would lead each of the Women in Red on a fearless quest to get a grip on their retirement plans.

I just sort of blocked out the fact that I am one of those women -- and the day would come when I'd have to get a grip on my own retirement situation as well.

Facing the financial realities of the unknown future is always scary, and it's particularly so when you're the primary breadwinner -- as both Anna and I are.

We're not only trying to plan ahead for ourselves, but for our spouses, neither of whom has a retirement plan of his own.

Anna's husband is the caregiver for their 18-month-old daughter.

My husband works full-time, but has been putting most of his savings toward paying off debt. Now he's headed toward graduate school in order to make a career change.

Neither of the two makes any retirement contributions.

Which means Anna and I have to man the ship, so to say.

Anna: Frugality triumphs over all

Although you might not think Anna's income of \$60,000 would go very far, supporting a family and living in expensive Washington, D.C., she's not called "Frugal Fanny" for nothing.

Not only has she saved \$61,724 in her 401(k) and two IRAs, but she contributes about \$600 a month, almost 12% of her gross income, to take advantage of a 25% match from her nonprofit employer.

Even better: A few years ago, Anna scraped together a down payment to buy a home in an up-and-coming D.C. area that wasn't yet overpriced. Her remaining mortgage is \$140,000, and the house is now worth about \$400,000, giving her about \$260,000 in equity.

Mary Claire Allvine, a financial planner and author of "[The 7 Most Important Money Decisions You'll Ever Make](#)," was flabbergasted by how much Anna and her husband had saved. "They're role models," she says.

But if frugality is their strength, Allvine says their lack of concrete planning and Anna's allocation strategy are their weaknesses.

Anna's plan	
Anna	Current Target
Income	\$60,000 Add husband's income
Yearly retirement saving	\$9,120 \$12,996

Consumer debt	\$0	\$0
Current nest egg	\$61,724	n/a
Nest egg at 70	\$625,000	\$825,000

College savings

Anna is planning for her daughter to be "fast and smart" and attend college with the help of loans and scholarships, just as Anna did. She also hopes that the grandparents will contribute to a college-savings plan.

Julie Lawrence, a member of the Garrett Financial Planning Network with Florida Financial Advisors, agrees with this strategy: "As parents, you can borrow for college, but you can't borrow for retirement."

But she advises Anna to set up a 529 plan so that the grandparents can begin to make those contributions. "It would be wise for her to take the initiative but keep the grandparents as the owners of the account, with the child as the beneficiary."

While Anna is on target to have saved a \$625,000 nest egg by the time she retires at 70, that assumes she and her husband will keep to her frugal lifestyle, a single income and one child.

Allvine notes that Anna and her husband need to have some frank discussions about whether he plans to resume paid work after their daughter is in school, whether they plan to have another child and what sort of lifestyle they envision in retirement.

If they can increase their savings to about \$1,083 per month from \$760, for example, that will increase their nest egg to about \$825,000.

Investment strategy

Allvine recognizes that Anna needs a simple strategy. "She doesn't have time," Allvine says firmly. "She's managing a job, marriage and family. She doesn't need to agonize over this."

She also needs a more aggressive strategy, Allvine feels. "For a woman with at least a 20-year horizon, I'm pushing her toward all equities.

Anna's portfolio		
Fund	Amount	Allocation
Schwab Investor Money Fund (SWRXX)	\$3,003	4.90%
Metropolitan West Total Return Bond M (MWTRX)	\$6,148	10.00%
Green Century Balanced Fund (GCBLX)	\$37,072	60.10%
Parnassus (PARNX)	\$15,500	25.00%
Total	\$61,723	100%

Allvine suggests that Anna invest her 401(k) as follows:

75% in a large-cap domestic-equity fund;

25% in an international index fund.

Or, if Anna would prefer an even more hands-off investment plan, she could put the money in a targeted-retirement or lifecycle fund.

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