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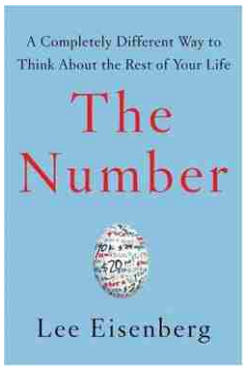

THE NUMBER

A Completely Different Way to Think About the Rest of Your Life

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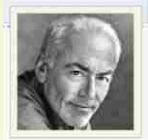
About the Author



Lee Eisenberg

Lee Eisenberg spent seventeen years at *Esquire*, where he served as editor-in-chief through the 1980s. He was recruited by Harold Hayes, who was widely regarded as one of the most influential magazine editors of the era. Within six years Eisenberg had assumed oversight of the title. In 1983, he conceived and commissioned the magazine's widely admired Fiftieth Anniversary issues, including "50 Who Made the Difference," which featured original text by such writers as *Truman Capote, Norman Mailer, Gore Vidal, Nora Ephron, Tom Wolfe*, and Richard Ford, among others.

In 1995, Eisenberg was hired to oversee creative development at TIME magazine. In 1999, Eisenberg was appointed Executive Vice President and Creative Director at *Lands' End*, where he oversaw all creative and marketing activities. In 2003, he was promoted to the company's Office of the President, and served as Chief Creative and Administrative Officer. He resigned in March 2004 to begin work on The Number.

Eisenberg has written numerous magazine articles and columns, as well as several books. Titles include The Ultimate Fishing Book and Atlantic City: 100 Years of Ocean Madness, Breaking Eighty, Eisenberg's account of his two-year attempt to master the complications and intricacies of golf, was published in 1997.

For more information, visit http://www.thenumberbook.com/.

Wisdom in a Nutshell

In today's consumerist era, the Number - a term used to measure net worth *and* self-worth - eludes a lot of people. Little do most people realize that the old system where you can work for a company for over 40 years, then retire comfortably on a comfortable monthly pension, is over.

The Number is basically the amount of money and resources a person needs to continue to live his or her desired lifestyle. Unfortunately, most people don't even bother looking for the Number. Author Lee Eisenberg's book is the ultimate guide for determining your personal and accurate Number.

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Part One: Chasing It

Welcome to Numberland

The good news for those approaching middle age and beyond is this: advances in science and technology have enabled people to extend their life spans.

The bad news is: After your prime years as a productive member of society, do you have enough squirreled away to ensure that you continue the lifestyle you cultivated after you retire?

Consider the statistics:

> 1 in 4 workers, 55 years old and older, has invested assets more than $100,000.
> 1 in 3 has assets more than $50,000.
> 1 out of 2 baby boomers do not have enough savings to match their standard of living post-retirement.
> 1 out of 2 boomers are afraid their money will run out before they die.

The ironic part is nobody seems to care.

Number Anxiety
How do people define the Number?

For most people, the Number is a taboo subject. Whether they have secured themselves financially or not, people rarely divulge their worth or are comfortable discussing it.

Today, success is equivalent to how much money you have. Nobody is comfortable admitting the possible lack of funds. Furthermore, financial planners often advice clients that the Number should be kept a closely-guarded secret. Ask any recently-divorced person and they'll tell you that it would be nice to stash some property or valuables away from the prying eyes of a lawyer.

Lifestyle Relapse
Basically, Lifestyle Relapse is the condition where people who have stocked up for retirement realize (or don't realize) the hidden costs of maintaining a post-retirement lifestyle. Expense accounts and club dues, normally paid for by companies, now becomes the responsibility of the retiree.

A Field Guide

There are four types of number chasers:

1. **Procrastinators** - Often clueless, they are unaware (or at the least, in denial) about the need to save for a rainy day. Reasons behind this can include the lack of foresight, laziness or plain incompetence.
2. **Pluckers** - A shade better than procrastinators, pluckers have an idea that they should save, but they get their figures and plans seemingly from thin air. Wild guesses and potshots adorn their plans.
3. **Plotters** - These are the prototypical planners. They get down to work and use available information to arrive at the Number. However, the question "What am I living for?" is usually absent.
4. **Probers** - The opposite of plotters, they tune into their inner selves to find the deeper meaning of life and the resulting needs arising from it. They devise plans that consider making a difference in the second half of their lives.

> *A lot of people will not have enough money to continue their lifestyle upon retirement.*

How Your Broker Sees You
Those who attract marked interest from the financial services market are the following:

> **Mass Affluent** - The broadest segment. These are the people with assets between $200,000 and 1-2 million.
> **High Net Worth Individuals (HNWI)** - These are the people with assets of at least one million dollars, or households with six-figure annual incomes. Over seven million HNWI families are in the U.S., with forecast growth of 16% per annum and projected assets of $32 trillion.

Ultra High Net Worth Individuals (UHNWI) - those with over $5 million in assets.

Note that there is another level - those who rely on their "family office" to manage their funds. These families have a hundred million to a billion in assets to manage. About five thousand of these families exist in the US.

Adjustments have to be made prior to actual retirement.

The Eisenberg Uncertainty Principle

Of course, setting the Number is tempered by various realities that are really hard to control. Among these include:

Fear of Death
Fear of Global Annihilation

The Uncertainty Principles deal with things that can be changed:

1. The uncertainty that results from living in a society and culture so steeped in the moment and awash in debt.
2. The uncertainty and lack of motivation that come from not knowing how money works.
3. The uncertainty caused by knowing that the 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 profound uncertainty over what truly matters at the end of the day.

Millionaire Schmillionaire
While most millionaires have no idea what it is to be poor, most folks also don't know what it's like to be a millionaire. Most millionaires (there is one millionaire for every 125 Americans) are bulked by paper assets. In other words, a percentage of their net value is tied up with assets such as property. Therefore, they have to trade their assets into cash in order to spend.

Unfortunately, most people who have become millionaires (whether paper or not) are notorious for holding on to the trappings of wealth. To give an example, a million dollars invested wisely will only yield about $50,000 a year in income.

When Two Million Isn't Enough
The author examines a simple formula on how to calculate an annual retirement Number:

Annual Income x 0.7 = Annual Retirement Number

Say you earn $150,000 a year; you only need an annual stipend of $105,000. The major flaw in this calculation is that it has no bearing on an individual's actual reality. Does it factor in dependents? Does it consider any new expenses, or changes and increases in spending? Does it factor in increased tax rates?

In the Wall Street Article, "When $1 Million Isn't Enough for a Comfortable Retirement" by Yale economist Robert Schiller, the author explains how a $1 million investment can be subjected to the following:

1. Stock prices tank, and along with them about a third of retirement savings.
2. Realizing after retirement that all pre-calculations were in error.
3. Health insurance premiums go up $100/month. Plus premium on additional services are made.
4. Property taxes are raised.

The above examples illustrate the paranoia gripping some people about how a supposedly-safe investment can be cut to the bone. When calculating the Number, a big part of the equation should always include **You**.

Debt Warp

Debt Warp is the century's insatiable need to accumulate more than what one can afford. To illustrate, the country's total consumer debt is $6.5 trillion - dangerously close to exceeding the U.S. National Debt. Personal Debts in the U.S. is equivalent to the GNPs of the U.K. and Russia *combined*.

Debtors in Paradise
By 2000, credit card and automobile lending rose to 33% while mortgage rates rose to 50%. Credit cards, in particular, are easy to acquire and max out. Despite the 18% APR (even spiking to 40% per month) interest rates, people find it convenient to have one. Over a billion of them are currently in circulation.

Killer Brands
One percent of the richest Americans carry six percent of the nation's debt. The poorest 90% holds 70%. One factor is the rise of "trading up," where consumers are convinced to upgrade to super premium in the promise of improving their lifestyles. While it may be true, the ugly reality is that debt also rises.

Taxing Solutions
Noted Economics professor Robert Frank notes that social pressures have furthered debt among the lower and middle classes, as people having smaller homes feel threatened by those who live in larger ones.

Professor Frank suggest that tax laws be amended as to give families a standard spending budget, after which all excessive purchases will be taxed heavily. Unfortunately, the economy is dependent on consumer spending, so this is not a very feasible (although noble) plan.

The Lost Years

It's natural for some people not to be so knowledgeable about money. It is still, however, important that you possess some sort of money knowledge. You can not rely on the expertise of financial brokers alone. Some financial brokers have turned around and divulged how companies profit from an investor's innocence.

Brokers, while doing nothing illegal, may choose to charge too many fees and come up with questionable decisions. While the investor may think he is getting a personalized, custom financial plan, he might instead be getting something hastily yanked out of the company's filing cabinet.

Alone at Sea

In an era long forgotten, it was policy to work until age 65, retire, and live on your pension. The funds were guaranteed by company funds and social security. Things aren't the same anymore, and nothing is certain in this day and age.

Whether you are thinking about relying on pensions, social security, or 401(k) plans, the current thinking is that these things don't work as much as they did before. At this stage, you must look after yourself.

Part Two: Figuring It

Unless you are going to die earlier than planned, you will eventually retire. Even as scientists continue to find ways to add years to your life, you must add life to your years. Remember, when you add years, you add expense. Added expense requires a well-thought of plan.

Crash Dummies / Meet the Cases
The patriarch, Tom Sr., was a GM veteran who died shortly after retirement. His wife, Gert lived on social security checks and the GM pension. They have three children - Tom Jr., a financial wreck waiting to happen; Dick, a genial professor who has saved conservatively; and Harriet, an MD with a babysitter / husband and a small nest egg comfortably tucked away. They each were profiled according to their spending habits and their investment strategies.

Covering Your Assets
With the examples presented above, formulating your own Number becomes even more complex. With a lot of things not in your hands (inflation, tax rates, etc.), how can you shield yourself against financial risks?

Eisenberg offers a few insights:

1. Don't put all your eggs in one basket.
2. Have the patience of a nesting hen.
3. Remember that past performance is not a guarantee of future results.
4. Never invest in anything you do not understand.
5. Never underestimate compound interest systems and rates.
6. Do not dilute long-term returns by incurring frequent commissions and other fees.
7. Accept any retirement plans offered by a company you work for.
8. In addition to #7, accept any matches from company pensions - it's free!
9. Sleep should be commensurate with the ability to remain calm, especially at night.
10. Consider your age and timeline when appropriating stocks to bonds.

Unfortunately again, a lot of people tend to ignore these commandments as they are averse to risk.

Although linear projections are made when computing financial investments, the markets, as well as the business of living a daily life, don't always operate the same way.

Accept any retirement plans offered by a company you work for and accept any matches from company pensions.

Advice Squad Confidential

Today, there are hundreds of service companies out to help you invest your money. A lot of credentials (and acronyms) have cropped up in the hope of getting your attention first. They offer you three T's: Trust, Temperament, and Touch.

Trust
Assuming you're worth the effort, an adviser should be able to gain your trust. Does your adviser put his financial well-being ahead of yours?

There are three ways to pay your adviser that ensures that you don't have to pay them more than you have to:

1. Fee-only retainers remove any potential conflicts of interest.
2. Fee-based advisers (retainers but also selling funds) are ok if you understand what you're getting into.
3. Wirehouses make money by selling plans, whether good stuff or otherwise.

Temperament
Temperament deals with an adviser's tendency to be adventurous - whether with your money or theirs.

Touch
If you have a Number, financial planners have a service model waiting for you. The degree of touchiness increases with the increase of your assets.

Night Sweats

The Internet has helped a lot of people look after their Number even in the wee off-hours. Take the case of fidelity.com, where about a million people log on every day to check on their portfolios. Fidelity has played on the self-help and self-determination craze, and has actually aligned its growth with that of the baby boomers' big years.

Part Three: Finding It

Downshifting with Jung

David Wolfe (author of “Rest of Your Life”) introduces the New Seniors. According to Wolfe, the New Seniors are creatively and intellectually involved, with strong desires to share experiences. Furthermore, the New Seniors are far more vibrant than the old-school seniors. They are also more compassionate and caring.

New Seniors, while not having as much purchasing power as those below 50 years old, still have enough clout. Wolfe credits Carl Jung, Erik Erikson and Abraham Maslow for showing that old age often leads to more introspection and less materialism - truth often skewed by the opinionated. Case in point, counterculture is mostly spawned by older people (Luther King, Nader, Leary, Steinem, etc).

Re-Numbered

James Weil, a retired senior executive, used to worry about getting his Number right and if it was enough. After retiring, however, he realized that he was concerned about the wrong things.

Hanging out with fellow seniors allowed him to realize the value of knowing the cost of aging, and what measures can be enacted. His work as a part-time consultant also allowed him to voice out his "aging" opinion to a younger set.

None of these matters came up when Weils was computing for his Number. However, all of these turned out to be equally as important.

Taking the Curve

Adjustments have to be made prior to actual retirement and having the knowledge of what needs to be done or what works is vital. This may require tradeoffs and sacrifices.

A recent retiree, Ron Cavill, offers three requisites for successful downshifting:

1. Downshifters should appreciate the concept of fun and letting their hair down.
2. They should know and value the concept of friendship and sharing mutual interests.
3. They should know how to give back to others.

Sun Spots

Downshifting is all about you. Alternately proposed as "My Time" or "Second Adolescence," the dynamics of the 50-75 year olds is all about experiencing a time to be yourself. Maybe this is what the Number is for.

Del Webb built communities for these second adolescents, and in doing so, changed the landscape of retirement. Far from Palm Beach, the Sun City retirement model has been an oasis for all those who would like to live their remaining years at their own terms.

Needleman in the Haystack

Author Jacob Needleman originally wrote "Money and the Meaning of Life" to vent his personal angst over money matters. Some of his questions include:

Why does money make us knotty?
Why do we impart evil to money?
Why do we invest it with magical feel-good properties?
Why do we run from it?
Why do we lose love and friendships over it?
Why do we work so hard to get it?
Why don't we spend more of it on things that matter?
What does matter?

The answers to the questions can be found in the recommendation that money and meaning must be in sync with each other. Money should be viewed qualitatively. As one social planner remarks, "You need the heart of a social worker and the head of a capitalist."

According to Needleman, the danger lies in the fact that money bestows a false sense of comfort, because people believe they give power and importance. There was a time when value (artists and doctors for example) were never tied up to how much one earned. Now, talk about the same things, and monetary value eventually creeps up.

The Disciples

The Nazrudin Project, named after a "Sufi holy trickster" urges people to look into themselves anew. The project started as a weekend bull session by a few life-planners. Today, the movement has grown so large it influences the world of finance.

For the Nazrudins, life planning is not just about saving enough, but confronting your hidden demons. Founded by George Kinder, it melds financial planning with philosophy and literature to gain what he calls "money maturity."

George Kinder is a financial adviser who began integrating his work with eastern and western philosophy. Kinder eventually came out with hisown book, "The Seven Stages of Money Maturity."

In a nutshell, money maturity is about staying true to values and making what happens matter. It may sound simple, but it isn't. Money (the Number) can mess that up. Money can make you live in a place you don't want or take a job you hate.

Being a financial planner means taking a client up the seven stages (they're not necessarily sequential):

1. Innocence - when money beliefs are developed.
2. Pain - confronting the painful memories about money.
3. Knowledge - knowing how saving and investing works.
4. Understanding - differentiating between the good and bad feelings money can bring.
5. Vigor - the application of energy and commitment to realize your goals.
6. Vision - giving back to the community.
7. Aloha - giving back to another person regardless of any financial differences.

The Three Big Ones
Kinder also poses three questions to help people develop money maturity:

1. What would you do if you have all the money you need?
2. If you knew your life would be over in five years, how would you live it?
3. You have 24 hours to live. What did you miss? Who did you not get to be? What did you not get to do?

Over the years, Kinder has noticed that the first two questions are longer and are mostly material in nature. The 3rd one, however, is qualitative. And this may be what the Number is all about.

Bottom Lines

Based on all of the above, there are fundamental bottom lines that need to be confronted by those seeking their Number:

1. Obsess all you want, but don't be a sicko.
2. Those who say that this is either (a) the Apocalypse or (b) the Golden Age are both wrong.
3. Living in a college town is no panacea.
4. Good financial advice rings true
5. Those who know better don't always do better.
6. Younger people always undercall the Number.
7. The innocent gets eaten.
8. It pays to play tricks on yourself.
9. Tricks or no tricks, almost everybody suffers from reference anxiety
10. Practicing “financial correctness” is a huge waste of energy and time

Appendix: The Number, Quick and Dirty

While the entire book explains the fact that getting the Number is not a formula to be applied, still everybody clamors for some sort of instant equation. After consulting with a number of experts (including George Kinder), who all warned that calculating the Number on the fly is something one shouldn't do, he came up with the following:

A. Total up invested assets.
B. Multiply total by .04 to get the annual investment income you can reasonably withdraw.
C. Add annual value of any home equity.
D. Add any income expected from inheritances.
E. Add Social Security benefits per year.
F. Add any expected pension benefits for the year.
G. Add any remaining expected income.
H. Total B-G to get an idea of how much you can safely spend every year.

The formula's rub, according to Kinder, is that you trap yourself in a cycle of acquisition and never get to figure what it would cost to do what you really want. To do so, concentrate instead on expenses and not income. Living the life you actually want may require you to lessen your expenses, and may help you on the way to achieving your dream.