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## Retirement planning not just about money

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A TV director in his early 60s came to visit Michael F. Kay, a Certified Financial Planner in Livingston, and asked a common question. Could he afford to retire?

Kay's response: What would you do if you retired? What would you want to accomplish? Are you planning to play golf all day? Or watch Oprah? How would your wife feel about your being at home all the time?

The TV director was nonplussed. "It was as if I had hit him on the head with a brick," Kay says.

The man hadn't thought about how he would occupy his time. He was just tired of working.

Kay, who is president of Financial Focus, told the TV director that he needed a plan. Before leaving Kay's office, the man gave him a hug out of gratitude.

Today, many months later, the TV director and his wife are busy exploring New Jersey; going to lectures, museums and concerts in New York; and traveling to see their son in Colorado.

Kay, 52, is a CPA as well as a CFP and the only person in New Jersey certified in the relatively new area of Financial Life Planning, a designation given by a respected non-profit organization, Money Quotient in Poulsbo, Wash.

Financial life planning aims to help financial advisers prod their clients to make the most of their lives, not just to cross the t's and dot the i's in their financial affairs.

He teaches at New York University and at Fairleigh Dickinson University in Florham Park, in its CFP program.

Kay's clients are mainly people approaching retirement and those already retired. Their retirement years, like all Gaul, tends to fall into three parts (an insight that apparently originated with Michael Stein, author of "The Prosperous Retirement"):

1. The go-go years, when older folks are energetic -- and may spend 120 percent of their previous income traveling and exploring.
2. The slow-go years, where people become more family-oriented and when they may have health issues.
3. The no-go years, when people become concerned about leaving a legacy and may think of entering a nursing home.

"Each of these stages has its own financial challenges," Kay says.

Kay is a fee-based planner. To manage a portfolio, he charges 1.2 percent of accounts up to \$500,000 and less for larger accounts. (He uses Dimensional Fund Advisors, which employs a modified index-fund strategy.)

When he gives hourly advice, which he doesn't like to do because he doesn't want clients to become nervous watching the clock, he charges \$250 an hour.

With new clients, he begins by creating a financial plan, then schedules three or four meetings a year. His office includes another CFP, someone with an MBA and someone on the verge of becoming a CFP.

I asked him how much money people need to retire these days.

That depends on your lifestyle, he said. For example, when you travel, do you take a group bus to Bear Mountain? Or the Queen Mary on an around-the-world trip?

What kind of planner should someone avoid?

"Where it's all about the product." Also, a planner who talks rather than listens. "Listening to the client may be the most important."

### **Textbook answers**

Also be wary of a planner "who gives the textbook answer to a question rather than listening to the client's special pulse."

Kay doesn't accept anyone who happens to come through his door. There may be a "wrong fit." That could mean someone eager to invest in individual stocks as an active trader who might be directed to a stockbroker. Or a person determined to hire a financial adviser who will say everything he or she has done has been right.

The first get-acquainted visit is free. And Kay has a 48-hour rule: Neither he nor a possible client can make a decision for two days.

Kay grew up in West Orange and graduated from Adelphi University in Long Island. He worked as a Certified Public Accountant before entering the financial-services business 21 years ago. He became a CFP six years ago.

### **Life insurance**

His views on term life insurance versus whole life?

Term is appropriate for short-term needs, he believes, and whole-life for long-term needs. (My bias is strongly toward term. I'm what is known as a "termite.")

Deferred annuities?

"There are situations where it's good, but the key question is, What are the costs? And while the deferment you get in taxes makes sense, could you do better with other investments?"

He noted that money coming out of an annuity is taxed as ordinary income unlike other investments that may receive favorable tax treatment.

What are the worst mistakes he has seen people make?

Avoidance.

Many people never check their 401(k) plan's performance. And they never rebalance. Nor check the beneficiary designations on insurance policies and pension plans. And they don't have a will.

"Even successful professionals sometimes don't have an up-to-date will," he says with shock.

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