Sunday, February 25, 2007 - 12:00 AM

Bosma and Moody | Retire comfortably and save for kids' future

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Special to The Seattle Times

SCOTT COHEN / SPECIAL TO THE SEATTLE TIMES

Martha Bosma and Bill Moody, both tenured UW professors, have assets of more than $1.3 million, but they are still challenged to save enough for their daughter Alice's college education and for the future demands of their special-needs son, Joseph.

Tenured University of Washington professors Martha Bosma, 48, and Bill Moody, 56, and children Alice, 12, and Joseph, 10. The North Seattle couple have saved diligently for retirement, but their retirement plan must include Joseph, a special-needs child who likely won't be self-supporting as an adult.

What they have Penny-pinchers who keep their cars an average of 12 years, Bosma and Moody have socked away $750,000 in retirement accounts, with $87,000 more in taxable investment accounts. They also have more than $500,000 of equity in their fixer home in the Wedgwood neighborhood. Their combined annual income can hit $200,000 in a good year, leaving them $70,000 or more in annual discretionary income.

What they want

Their goal is to live comfortably in retirement while providing financial security for Joseph, including a place for him to live rent-free. Bosma and Moody plan to retire at age 70.

What they need to do

Retirement funds must survive Bosma and Moody to provide for Joseph, so certified financial planner Ken Smith of Empirical Wealth Management in Seattle laid out a plan to make their assets extra-secure.

More life insurance: Smith recommends increasing Moody's $250,000 of life insurance to $1 million and getting Bosma a $1 million policy, too, with a 10-year term. This affordable term coverage will cover the couple against unforeseen loss of income until Joseph is 20.

Top priorities

1

Buy more insurance

2

Additional savings: Though the two are salting away plenty in their UW retirement plans, Smith recommends they start putting another $1,000 a month into taxable investment accounts to help build their savings.

Reorganize portfolios: Smith found Bosma and Moody had their investments scattered in too many accounts, each with their own stock-and-bond mix, making it hard to keep track of their overall

Stash away more money

3

Reset spending priorities

investment mix. Fees were also too high. In addition, stocks were mostly invested in U.S. major-company funds, rather than in a more risk-spreading variety of international and domestic funds holding stocks of small, mid-size and large companies.

They should diversify the stock mix and reorganize money into fewer accounts to cut costs. Put bond investments into separate accounts, so they're easy to track. Because Bosma and Moody have done well at saving, Smith recommends a conservative mix of 60 percent stocks, 30 percent bonds and 10 percent money-market accounts — they don't need to take more risk.

Add more insurance: In addition to life insurance, Smith recommends Bosma and Moody enroll in the maximum disability insurance available through the UW. Long-term-care insurance will help prevent an illness from eating up the retirement fund. Home- and auto-insurance coverage should be increased to reflect full replacement costs. Finally, an umbrella policy would cover any amounts not covered by the other plans.

Save for college, then buy home: To avoid a cash crunch later that could affect their retirement savings, Smith advised Bosma and Moody to begin saving for Alice's college now in an age-based plan that will automatically adjust its investment mix as Alice approaches college age.

To secure a home for Joseph, Smith recommends waiting until Alice graduates from college to free up cash and then buying a second home that could be a future residence for Joseph.

What they think

Bosma and Moody felt reassured by their plan's conservative strategy and liked Smith's suggestions for how to meet their goals.

"It's not so burdensome," Bosma says. "We won't be eating spaghetti seven days a week."

After getting their plan in mid-December, Bosma started a college account for Alice, re-allocated investments, and added the recommended insurance. She was surprised to find the additional insurance affordable — $400 more a year for the additional house, car and umbrella coverage.

EWM Disclosure

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