

Retiring can open door to new, fun work

Continued from 1B

from my parents' with the exception that I will be better prepared," says 39-year-old Mark Jeanson of Houston, who plans to retire at 55.

About half of all workers say they expect personal savings to be their most important source of retirement income, compared with 20% of current retirees, according to the 2000 Retirement Confidence Survey sponsored by the Employee Benefit Research Institute (EBRI), the American Savings Education Council and Greenwald & Associates.

The popular 401(k) plans are only 20 years old. Yet by 1998, 79% of all U.S. families had a 401(k)-type of employer-sponsored retirement savings plan, according to a recent Federal Reserve survey. And many of those accounts are starting to accumulate tens of thousands of dollars. An EBRI study found that in 1998, 13% of workers had more than \$100,000 in their plans.

A fortunate 22.3% of households had both a pension and a 401(k)-type of retirement plan in 1998. That combination affords retirees a greater sense of financial security.

Julio Galvez, 55, retired last week after a 20-year military career and 11 years at Lockheed Martin. He's eager to start enjoying life — gardening, traveling and learning to play golf. Thanks to a military pension, a small Lockheed pension and a 401(k) plan, he won't be cash-strapped.

Galvez started seriously considering early retirement only about a year and a half ago when he was looking at retirement calculators on the Internet. He used a conservative 8% as the investment return he expects to earn in the future. And instead of estimating that his expenses would be lower in retirement, he added \$10,000 onto his annual expenses at the time. The result: The calculators said he could afford to retire at 55.

"I thought, 'Why wait when I can enjoy life now?'" By the time he said goodbye to his co-workers, Galvez and his wife, Enaida, had sold their home in Exton, Pa., and purchased one on a golf course in West Palm Beach, Fla.

Though he has yet to master his golf swing, Galvez smacks the ball firmly into a long-standing U.S. trend toward younger retirement.

Over the past century, increasing American wealth and the expansion of Social Security and private pension plans allowed workers to retire at earlier and earlier ages. And many private pension plans encouraged early retirement.

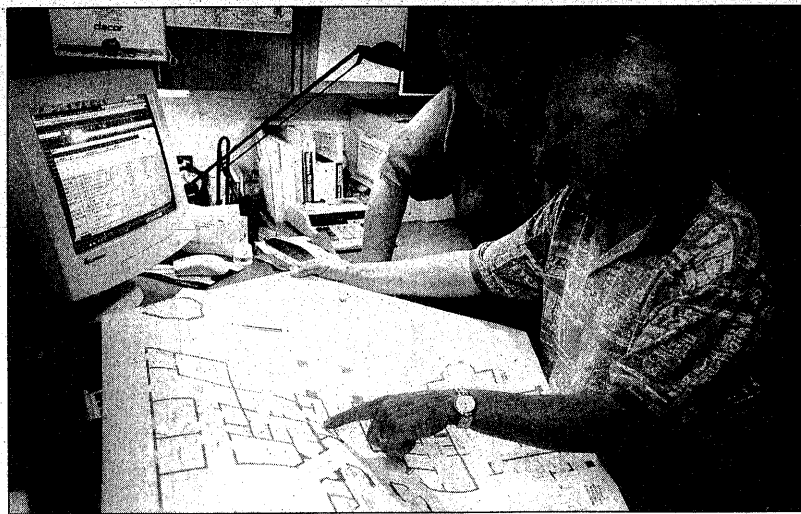
But a curious thing is happening with retirement ages: Back in the mid-'80s, the average retirement age abruptly leveled off at about 63. Experts say it's because mandatory retirement was largely outlawed and because the new cash-balance pension plans and 401(k)s do not reward early retirement, among other factors.

But it's also because workers today are not necessarily leaving the workforce when they retire.

A new lease on life

In fact, retirement is no longer viewed as just a point that marks the end of a working career. Instead, it is increasingly viewed as a process that begins when a worker no longer has to keep up the pace of a stressful job in order to make ends meet.

Today many Americans say they plan to continue working in some capacity after they retire but want to work fewer hours, be their own boss, or switch to a career they



By Jeffrey L. Brown, Aurora, for USA TODAY

Teamwork: Brad Ansley retired about 10 years ago, at age 51. Then he got bored, so he started a plumbing and appliance business from his San Diego home. His wife, Myrna, still works, in part so they'll have health insurance.

Retiring early

Generation Xers are the most optimistic about their chances for retiring before they turn 60.

Pre-retirees (55 and older)

Before 60: 19%
61-64: 19%

Younger boomers (36-46)

Before 60: 31%
61-64: 9%

Older boomers (47-54)

Before 60: 36%
61-64: 10%

Generation X (35 and younger)

Before 60: 46%
61-64: 6%

Source: 2000 Retirement Confidence Survey

By Quin Tian, USA TODAY

find more personally rewarding, even if it pays less. "People are looking for purpose in life," says Janet Briaud, a financial planner in Bryan, Texas. Others have plunged into a more traditional retirement at a young age only to find they weren't ready for a life of total relaxation.

About 10 years ago, at age 51, Brad Ansley was burned out. He sold his businesses in North Dakota and moved with his wife, Myrna, to the San Diego area. "After about six months, I was bored," he says. So Ansley started a new business as a broker for plumbing and appliances to builders of high-end homes. "I can control my hours," he says. "But I find myself working as much as I ever did. I'm turning away business." By age 65, Ansley plans to start slowing down. Galvez also plans to continue working, perhaps teaching computer classes at night school or working at Home Depot.

"It's nice not to have to work for a living," he says. "But staying at home is not my type of thing. I like to be around people."

More than two-thirds of workers say they plan to work for pay after they retire, according to EBRI's survey.

"There does seem to be a difference from the good old days when people said 'I want out,'" says Dallas Salisbury, president of the non-profit research organization.

And many Americans say they are better prepared mentally and financially for retirement than their parents ever were. Nearly three-quarters of workers say they are somewhat or very confident they'll have enough money

to live comfortably throughout their retirement years, according to EBRI. About half say they have tried to calculate how much they will need to save to prepare for retirement.

But that doesn't mean the calculations are realistic or the confidence is well founded.

For one thing, longer life expectancies mean American workers need to make sure they don't outlive their retirement savings. Fewer and fewer of them can count on a traditional pension that guarantees lifetime payments.

"It's not far-fetched to think that you could live to 110 or 120," Briaud says. "My grandmother had a life expectancy of 45 and lived to be 99."

And despite the handy retirement calculators available on the Internet, they are only as good as the parameters you put in them. For example, people often have unrealistic expectations about the future return on their investments, although financial planners say the rocky stock market performance this year has done a lot to correct many overly optimistic assumptions.

On the other hand, some common rules of thumb about retirement can be too rigid and discourage people from achieving goals. Many experts say retirees will need 80% of their current income to cover expenses in retirement. "I get so furious with that," financial planner Langdon Jones says. "There is no formula that will fit everyone."

Retire, but don't relax

Workers are clearly entering into a more complicated retirement world. They must be better informed than their parents' generation as companies increasingly put the burden on employees to save for their own retirement through 401(k) plans. They will have to manage their retirement savings through ups and downs of the economy. And many younger workers fear they won't be able to count on Social Security benefits.

Still, the complexities haven't shaken the confidence of many aspiring early retirees. "I'm one of the new investor class," says Thomas Frieling, 47. Through his job as a librarian at Bainbridge College in Georgia, he has a 403(b) plan, which is similar to a 401(k) plan, and a pension. "Between the two, if I'm sick and tired of what I'm doing at 53, I can retire," he says.

Are you on track to retire? Check out these tips

Make sure your plans for early retirement are based on realistic expectations and not just wishful thinking. Here are some important things to consider:

► **How much money will you need?** Many people assume their expenses will be about 70%-80% of what they are pre-retirement because the mortgage will be paid and they won't have to save for retirement. But you could face new bills as you get older.

► **Can you pay for your living expenses without taking early withdrawals from retirement accounts?** Ideally, you should have enough in non-retirement savings to fill the gap until you can make penalty-free withdrawals from retirement accounts — typically, age 59½.

► **Once you're retired, how much money can you withdraw each year?**

Most retirement calculators let you fill in a rate of return to see if your money will last longer than you do. For example, the past 40 years, the Standard & Poor's 500-stock index has averaged a 12.2% gain each year, says Ned Davis Research. But that's the basic flaw in many calculators: The stock market doesn't rise at a steady pace. It rises and falls each year. And when you're withdrawing money, bad years become very bad indeed.

Suppose you started with \$1 million in 1960. In theory, you could withdraw \$122,000 — 12.2% of \$1 million — each year. In reality, you'd have been broke by 1972, and sooner if you'd increased your withdrawals for inflation each year.

William Bengen, a financial planner in El Cajon, Calif., has studied different retirement scenarios based on portfolios of investors who retired in the years 1926 through 1976. He found that if you want your savings to last 30 years, the maximum safe annual withdrawal rate is 4%. Other studies have shown that a 7% withdrawal rate has a 90% chance of success.

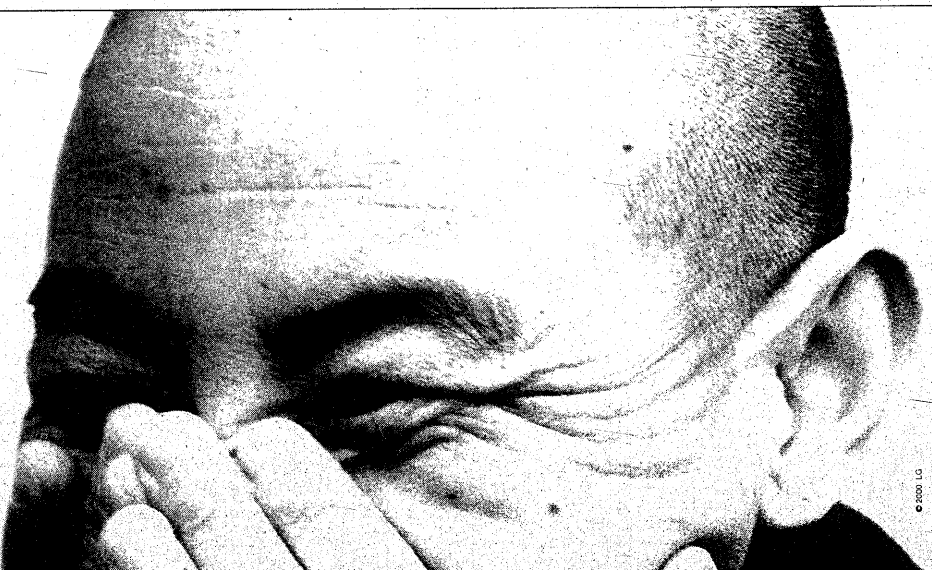
So someone playing it safe with \$1 million would withdraw \$40,000 in the first year of retirement and adjust it each year for inflation. If you want your money to last longer, you'll have to start with a lower withdrawal rate.

► **How will you pay for health insurance?** Before you retire, find out whether health insurance is part of your company's retirement benefits package. If not, Joseph Matthews, author of *Social Security, Medicare and Pensions*, suggests finding out whether your employer will let you transfer from your group policy to an individual plan with the same insurer.

► **Do you have ways to make money in retirement?** If the economy sours, you may have to work again, so make sure you keep your work skills. "You shouldn't lose the flexibility to roll with the punches," says Nancy Langdon Jones, a financial planner in Upland, Calif.

— Christine Dugas

Joy



according to people familiar with the talks. The which could be announced as early as today. and give Goldman Sachs one of the largest specialist is on the floor of the New York Stock Exchange. ar Leeds is also a major player on the tech-laden aq market. Goldman's move into the retail mar- follows rival Merrill Lynch's \$914 million acquisi- in June of Nasdaq market maker Herzog Heine uld. The purchase would be a major payday for ar Leeds' 50 general partners.

Stepping down at J.P. Morgan

J.P. Morgan's chief financial officer is resigning amid ors that the blue-chip investment bank is about to acquired by Germany's Deutsche Bank. Peter Han- k, a former trader who spent his two-decade ca- at the bank, has decided to leave to pursue entre- neurial opportunities, according to executives at Morgan. Hancock's duties will be assumed by Tom hum, who will also remain chief administrative of- ficer. The bank has been swept up by takeover rumors, its shares jumping 5% on Wednesday on reports Deutsche Chairman Rolf Breuer was in advanced ussions to take over the firm.

Wal-Mart told to end German price war

Wal-Mart's "Always Low Prices" were too low for ct German regulators, who ordered the U.S. giant two German rivals Friday to call off their price war groceries — because it could drive mom-and-pop us out of business. The German Cartel Office found Wal-Mart and the Aldi and Lidl discount su- market chains were regularly selling staples such milk, butter, flour and cooking oil below cost.

Consumer borrowing cooled in July

Borrowing increased by a smaller-than-expected in July from June's torrid pace as Americans cut k both on using credit cards and buying autos and er items on credit. The Federal Reserve said Friday t consumer credit increased by a seasonally ad- ed \$9.4 billion in July, or 7.7% at an annual rate, the west pace in three months. Many analysts had ex- ected borrowing to grow by \$10 billion in July.

Airlines delay launching Orbitz Web site

Orbitz, the Web site being launched by major U.S. airlines to draw passengers with special Internet-only es, is delaying its launch until next June amid federal estigations into its impact on competition. The trav- site said its debut, initially planned for this fall, is be- pushed back to ensure better customer service and stronger launch. Orbitz also announced partnerships h car rental firms, a vacation and cruise package mpany, and several providers of additional content its site. The American Society of Travel Agents has ested that the site was part of an effort by the air- es to drive travel agents out of business, and the Jus- e Department began an investigation of possibleitrust violations.

General Motors lower quarterly production

General Motors on Friday set a 4% lower fourth- quarter vehicle production forecast for North America, the latest automaker to scale back output amid ns of a slowing sales pace. GM said it expects to ke 677,000 cars, an 11% decrease from a year ago, d 713,000 trucks, a 3% increase. The fourth-quarter al is projected at 1,390,000 vs. 1,453,000 in the 99 fourth period.

United Airlines union leaders OK contract

Leaders of United Airlines pilots union unanimously dored a contract with the airline after a labor dis- tance forced United to cancel thousands of flights last onth. The contract reportedly calls for pay increases to 55% for the 4.5-year life of the contract. Leaders the Air Line Pilots Association said they would en- courage their members to ratify the contract when it's esented to them in October. United still faces con- tract negotiations with its 15,000-member mechan- 's union.

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Workers want fewer days at the office

If offered the choice between these work schedules, what workers say "appeals more" to them:

Four 10-hour days

64%

Five eight-hour days

31%

Don't know

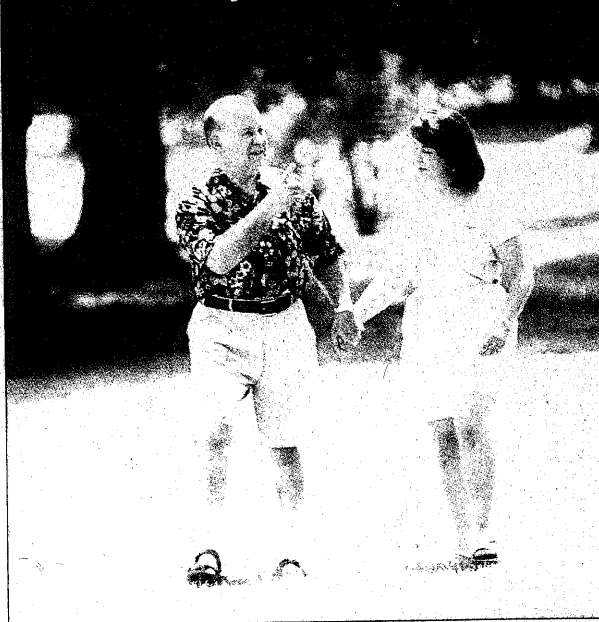
5%

Source: Peter D. Hart Research Associates for Shell Oil

By Anne R. Carey and Maicy E. Mullins, USA TODAY

Retirees get younger every day, thanks to smart planning

401(k)s unlock golden years for many well before age 60



By Bruce Borich, Silver Image, for USA TODAY

Strolling: Julio and Enaida Galvez, both 55, at their new home on a West Palm Beach, Fla., golf course. Julio now works on his golf swing instead of at Lockheed.

By Christine Dugas
USA TODAY

Bull market gains and the workday grind of the high-pressure "new economy" are fueling dreams of easier living and early retirement for workers across the USA.

Droves of baby boomers and Gen Xers alike say they'll skip the gold watch and head into retirement before they turn 60.

But theirs is a new vision of retirement, laced with more fulfilling, less demanding work and lots of leisure time — all financed by fat 401(k) accounts and a growing feeling of wealth.

Many early retiree wannabes say they are avidly saving and investing for the future. And they are flocking to Internet calculators to find out how soon they'll be able to get out of the rat race. A full 46% of Generation Xers say they'll retire by age 60, according to a leading annual retirement survey. About a third of baby boomers say they'll do the same.

"No one wants to hang around until they're 65 anymore," says Nancy Langdon Jones, a financial planner in Upland, Calif. "They're itching to retire."

But it's not an easy job to make sure that retirement nest eggs last the 30, 40 or even 50 years that longer life spans will require. And workers may have gotten lulled into expecting continued economic strength. So, financial planners caution, make sure plans for early retirement are a realistic goal and not a pipe dream.

Douglas Griffin, 36, says he is reasonably confident he can retire at 52. But the financial analyst from Mesa, Ariz., admits that may change if the stock market goes into a prolonged downturn.

Like many other workers, Griffin has taken time to plan for retirement, using computer programs that calculate retirement needs. And like many others, he intends to continue working at a low-stress job after he retires. He'd also like to do

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volunteer work. "Retirement means a time when I don't have to worry about going to work, and my investments from work will now work for me," he says.

Many Americans say they are optimistic about their retirement prospects because of the savings they've accumulated in 401(k) plans. "I believe my generation's retirement will not significantly differ

Please see COVER STORY next page ▶

Tire concerns go back 1 1/2 years before recall

Ford documents from January '99 refer to problems

By James R. Healey
and Chris Woodyard
USA TODAY

Ford Motor employees in at least two countries raised serious questions about the quality of Bridgestone/Firestone tires, as well as the tiremaker's integrity, by January 1999, Ford documents show.

That was 18 months earlier than Ford has said it knew there was a serious tire problem. And it was 19 months before Firestone's Aug. 9 recall of 6.5 million tires.

Treads were peeling from Firestone ATX, ATX II and Wilderness AT tires, size P235/75R-15, most of which were on Ford Explorer sport-utility vehicles. Result: Skids and rollovers linked to 88 deaths under investigation by the U.S. government and 47 being probed by the Venezuelan government.

Elected officials in both countries have threatened criminal charges against the companies for allegedly ignoring the hazard.

The Ford documents:

▶ Jan. 28, 1999, Ford export-market executive Glenn Drake in Dubai sent a memo to Melanie Gumz, a product-concerns supervisor, criticizing Firestone and challenging Ford to probe the tires. Copies went to executives in Ford's Worldwide Direct Market Operations, which handles export sales.

Drake, under pressure from customers and dealers irate over Firestone problems, wrote, "Is it possible that Firestone is not telling us the whole story to protect them from a recall or lawsuit? I feel it is possible, and we owe it to our customers and our shareholders to investigate this for our own (peace) of mind."

Ford spokesman Jon Harmon says, "Should we have done exactly what he suggested — a full-scale investigation on our own? Perhaps that would have been better. It's easy to be smart in retrospect."

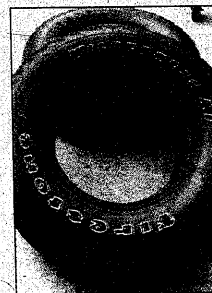
Ford began free replacement of Firestones in Saudi Arabia and neighboring countries in July 1999, even though, it says, it didn't know why Firestones were failing.

"Until we could look at (Firestone) claims data six weeks ago, we had no way of knowing what the problem was or how to remedy it," Harmon says. Ford's analysis of that data is what pushed Firestone to recall the tires.

▶ Jan. 12, 1999, a Ford "technical assistance to supplier report" regarding Firestone's Valencia, Venezuela, plant shows that some Ford executives knew of problems with Firestones, understood at least generally why they happened and were actively supervising remedies.

That's because, according to the report, Firestone's troubled Valencia plant had lost its status as a top-rank supplier needing little supervision — called Q1. To regain Q1, the plant would have to be monitored closely and audited by Ford.

Franklin Hoet, a Venezuelan attorney who has family members that were involved in a tire-related Ford Explorer accident, said the report shows that Ford was actively assisting Bridgestone/Firestone on known problems, yet failed to alert



By William T. Martin, AP

Inside on 3B

▶ Can the Firestone brand survive? Some say no.

▶ Venezuela's tire controversy may look like that in the USA. But there are crucial differences.

▶ Elsewhere in Latin America, fallout from the tire problem has been subdued.

consumers. "We cannot wait for the companies to voluntarily divulge the danger," Hoet says.

The same Venezuela report also lists types of tire construction that Valencia would try, in an attempt to manufacture a more-robust tire that Ford had been requesting because of tread problems. A key issue is whether that amounts to Ford actively designing the tires.

"That document is showing Ford taking a more active role in Firestone's execution of the tires. But it is design only in the most macro sense — definitely not engineering drawings and saying, 'This is what you must do,'" Harmon says.

Ford began replacing Firestones with Goodyears in Venezuela in May 2000 and made Goodyears standard equipment on its pickups and SUVs there last summer.

The Venezuelan situation is touchy because of the high death rate. While the USA has had 88 deaths linked to the tires, there are 3.6 million Explorers here. In Venezuela, with 47 deaths, there are about 24,000 Explorers.

Because of that, Bridgestone/Firestone has portrayed itself as following Ford's orders.

In an Aug. 21 letter to the Venezuelan government, Bridgestone/Firestone lawyer Francis Ginart de Olivastri wrote that Ford told the tire company in 1997 that certain Venezuelan tires "would have to be" made without nylon caps.

Ford and Bridgestone/Firestone had agreed in 1996 to use the caps, common in Venezuela though rare in the USA, where speeds are slower and roads smoother.

Caps make tires sturdier but also cost a little more, make a tire ride slightly harder and trim fuel economy 1% or so, engineers say.

Critics and lawyers suing over tire-related deaths and injuries say that caps, about \$1 per tire, could help "eliminate" tread separation and save lives. Ford, Firestone and other tiremakers say no studies prove that. They also say that even a slightly stiffer ride could make already bouncy SUVs too harsh.

Contributing: Thomas A. Fogarty