Suze Orman

All in Good Time

A decade-by-decade plan for securing your financial future.

WITH SO MANY steps involved in building financial security, it simply isn't possible to do everything at once. Knowing which of your goals to tackle (owning a home? saving for retirement? paying for college?) and when to do so has never been more important. The Employee Benefit Research Institute, a nonpartisan think tank, reports that the proportion of workers ages 25 and over who have saved for retirement has fallen from 78 percent to 66 percent over the past 12 years. Meanwhile, an AARP study notes that the number of retiree households with debt has increased sharply: In 1989 one in five families with a head of household age 65 to 74 had mortgage debt; by 2010 that number had reached 40.5 percent.

Is it tough to tackle long-term goals when you're struggling to pay everyday expenses? Of course. But as we kick off a brand-new year, I ask that you do your very best to keep a brighter, more solvent future in your sights. Adopt the following age-specific tactics before you make any other moves to build the financial security you need and deserve, one decade at a time.

In Your 20s

You absolutely must...save for retirement.

Yes, you're scrambling to pay the rent. But please listen to me: Pushing yourself to save even a small amount now is, hands down, the single smartest investment play you can make. It's all about the time your money will have to marinate—*compounding* is the technical term—before you need it in retirement.

In a perfect world, let's say you invest $5,000 a year starting at age 25. Assuming your money grows at an annualized 6 percent, you'll have approximately $820,000 by the time you're 65. Now let's suppose you don't start investing until age 35. You'll have to sock away about $9,800 a year to wind up with the same nest egg. (A $5,000 annual investment for 30 years will yield just $419,000.) And don't kid yourself that it's easy to save money as you grow older; you'll likely have children and a mortgage tugging at your purse strings.

Under no circumstances should you...fall behind on student loan payments.

Even if you were to declare bankruptcy, your debt would likely not be forgiven. If you're having trouble paying your bills, go to studentaid.ed.gov/repay-loans to learn about deferment and forbearance options.

In Your 30s

You absolutely must...be honest about whether you're ready to settle down in your own home.

Don't let today's historically low mortgage rates seduce you into ownership. Just because something is on sale doesn't mean you should buy, right? Besides, the Federal Reserve has indicated that it intends to keep interest rates low until mid-2015, so there's no need to rush.

I also wouldn't jump at buying if you're considering moving within the next five to seven years. (It could take at least that long for your new home to appreciate enough to recoup the costs of selling it, including a 5 to 6 percent real estate agent commission.) But if you plan to stay put, and you can cover a 20 percent down payment, focus on buying the least expensive property that meets your needs. The difference between a $300,000 30-year mortgage and a $270,000 30-year

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mortgage at today's rates is $133 a month. That's nearly $1,600 a year you could apply toward other goals. (Remember your laundry list?) Use the mortgage calculator at bankrate.com to see how much you can save by keeping your purchase price in check.

Under no circumstances should you...set aside money to pay your children's educational expenses if your retirement savings are not on track.

In Your 40s

If you have children, you absolutely must...be smart about college costs.

Yes, your kids should go to school. No, you shouldn't bankroll their degree whatever the cost. You've spent your life creating a sound financial plan; don't upend it by suspending your retirement savings or taking out a home equity line of credit to pay for a pricey college. Instead, consider a financial safety school that's likely to offer your family a generous scholarship package. If you opt for a more expensive school, have your kids borrow fixed-rate federal loans, which you can supplement with federal PLUS loans; take out only as much as you can afford to pay off before you stop working.

If you don't have children and plan to retire in your current home, you absolutely must...get ahead on your mortgage.

Try to make additional monthly payments now to shorten the life of your loan. Pay off your mortgage before retirement, and that's one less bill you'll have to worry about when you're on a fixed income.

Under no circumstances should you...take on more debt by tapping a home equity line of credit or borrowing on credit for unnecessary luxuries.

In Your 50s

You absolutely must...explore long-term-care insurance.

Unless you are already in poor health or have a family history of medical issues, chances are you will live a very long time. In fact, the average life expectancy for a 55-year-old woman today is 83. And what you may need at that age is a long-term-care (LTC) insurance policy, which covers ongoing medical costs such as physical therapy, extended nursing home stays, and home healthcare visits. Why worry about LTC now? If you wait until you're older, you might discover that the annual premium cost is too high or that you've developed a preexisting condition, making you ineligible for coverage. (See "Taking the Long-Term-Care View," *below,* to figure out what policy makes sense for you.)

Under no circumstances should you...assume you can afford to retire early.

Stop working at 60 or so and your savings, Social Security, and pension might have to sustain you for 25 to 30 years.

> **Pushing yourself** to save even a small amount is the smartest move you can make.

In Your 60s

You absolutely must...scope out your Social Security options.

You can claim retirement benefits as soon as you turn 62, but if you take a payout then, you will receive 25 to 30 percent less than what you are entitled to at full retirement age. (That's somewhere between 66 and 67, depending on the year you were born.) Manage to wait until age 70, though, and you'll collect a check that's at least 75 percent bigger than the one you would have earned at 62. Higher payouts—which, by the way, are adjusted for inflation once you start to receive benefits—can really boost your income later in life, when you need it most.

Under no circumstances should you...rely on a reverse mortgage to solve your cash-flow problems.

You are still liable for property taxes and maintenance of your home. If you can't afford those costs, don't be afraid to downsize. ■

Suze Orman's latest book is The Money Class: How to Stand in Your Truth and Create the Future You Deserve *(Spiegel & Grau). To ask Suze a question, go to oprah.com/omagazine_talk.*

Taking the Long-Term-Care View

Long-term-care insurance provides a multigenerational benefit: The policyholder is covered, while her adult children are free to spend more of their income on their own kids. Here's what to consider when choosing LTC coverage:

MEDICARE IS NOT A SOLUTION. If you need to stay in a skilled nursing home, the government picks up the tab for the first 20 days. For days 21 through 100, you'll owe a co-pay. After day 100, you're completely responsible for all bills.

AN INFLATION RIDER IS A MUST. My go-to LTC expert, Phyllis Shelton (gotltci.com), stresses the importance of buying a policy that includes an annual inflation increase. When you need to use your policy 20 years from now, you'll want your coverage to reflect the rising cost of care.

COUNT ON A PREMIUM INCREASE of at least 30 percent. The sad fact is that insurers are still figuring out this relatively new type of coverage. They've paid out more benefits than they anticipated and must boost premiums to compensate. Buy a policy you could still afford if the premium were to go up over the next few decades. The last thing you want to do is drop your coverage just when you need it. **—S.O.**