

# The Dallas Morning News

## Financial roots

### Parents' advice to save has guided school counselor

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By PAMELA YIP / The Dallas Morning News



Olivia Robinson has accomplished some remarkable things in her life, most notably raising two kids as a single mother and paying off her home in Dallas. At 62, Ms. Robinson plans to retire next year from her job as an elementary school counselor. She's not an extravagant spender by any means and hopes to leave an inheritance to her son and daughter.

But her biggest obstacle is debt, which she must pay off before she retires and then avoid like the plague, according to Deb Outlaw and Ryan Huey, certified financial planners at Perryman Financial Advisory in Dallas. They worked with Ms. Robinson in the Money Makeover sponsored by *The Dallas Morning News* and the Financial Planning Association.

Ms. Robinson wants to be in the same financial position as her elderly mother, who lives with her and is financially independent.

"Most of us – when it comes to our savings habits and our ways of thinking about money – it comes from our parents," Ms. Robinson said.

Her dad, who was able to leave her mother a comfortable inheritance, was a great teacher, she said. "For every dollar he made, he put a dime away," Ms. Robinson said. "He said: 'Don't be foolish. Don't spend every dime you get. Even if all you put away is a penny, put it away.' He said every penny eventually becomes a dollar." Good advice – but Ms. Outlaw and Mr. Huey said Ms. Robinson has more lessons to learn.

## OLIVIA ROBINSON

**Age:** 62

**Occupation:** Elementary school counselor

**Annual gross income:** \$68,723

**Total assets:** \$326,865

**Total liabilities:** \$93,094

**Net worth:** \$233,771

**Goals:** To retire next year; pay off all debt;

**Biggest advantages:** She is not an extravagant spender and has managed her money well she has paid off her home; her 91-year-old mother – Ruth Brown, above left, who lives with her – is financially independent

**Biggest obstacles:** She has debts to pay off.

## ALMOST READY TO RETIRE

Olivia Robinson has it well within her means to achieve her goals of financial independence and a comfortable retirement.



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Financial planners Ryan Huey (left) and Deb Outlaw advised client Olivia Robinson (right) to pay off her debt.

But before she gets there, she has to change her mindset, as many consumers must to reach financial success.

Ms. Robinson, 62, plans to retire next year from her job as an elementary school counselor. She wants a comfortable retirement so her two children won't have to support her. But although she will have a pension from the Teacher Retirement System of Texas and has saved well in several certificates of deposit, she needs to make some changes, said Deb Outlaw and Ryan Huey, certified financial planners with the Financial Planning Association.

"It appears that at times you struggle to live within your means," Ms. Outlaw and Mr. Huey told Ms. Robinson in their written report. "Your lifestyle is not extravagant, and your living expenses are quite reasonable. However, the existence of consumer debt and some of your other debt is indicative of extending yourself beyond your income." Her liabilities consist of home equity loans, loans from annuities and a loan from her credit union secured by a CD. The planners advised her to cash in some of her CDs and take other steps to pay off about \$93,000 in debt before she retires.

## **Broader lens**

But in order to feel comfortable doing that, Ms. Robinson must start viewing her financial picture with a broader lens instead of one that isolates her assets and liabilities. For instance, her CDs are her security blanket, and when the planners recommended that she liquidate some of them, she was somewhat taken aback.

"You can look at it and you see the money," Ms. Robinson said. But what she really needs to see is that those CDs are paying low interest rates while her debt is charging her higher interest rates, leaving her with a net loss, Ms. Outlaw said. So that "security blanket" is really a false sense of security, she said. "Let's pay that debt off so that you will have an easier walk and won't need that security blanket," Ms. Outlaw told Ms. Robinson. "It gets rid of that huge drain off your cash flow as you go into retirement."

Mr. Huey added a valuable piece of advice that everyone needs to remember: "When you have a fixed income in retirement, you want to have as few fixed expenses as possible." The planners also recommended that Ms. Robinson stop contributing to an annuity and take out a home equity line of credit to help pay off the higher-interest debt. The plan would still leave Ms. Robinson with some savings in CDs.

## **New thinking**

Ms. Robinson said she would follow the planners' advice. "It was very eye-opening," she said. "I learned to change my thinking and to be more open to ideas that I had no idea about." People tend to view the financial components of their life in a vacuum, rather than as a united picture, Ms. Outlaw said.

"People aren't taught financial concepts, and that's a financial concept," she said. "People talk about the car, but they don't talk about the loan they have on it." That's what planners call "mental accounting," which is the tendency to treat some sources of money differently than others. In Ms. Robinson's case, she's paid off her mortgage, but she doesn't really own her home free and clear because she has home equity loans. "She has debt against her home," Ms. Outlaw said. "She had paid her house off, but she borrowed against it again."

After Ms. Robinson pays off her debt, she needs to stay debt free if she is to reach her goals, the planners said. "Debt is a big silent killer for a lot of people," Ms. Outlaw said. "It will suck you under and destroy you if you're not careful. ... Once she stops working, she's not going to have the resources to pay that debt down."

## **Savings program**

After she's debt-free, Ms. Robinson should start a regular savings program, they said. "You should consider saving your excess cash flow into a savings account or CDs instead of making additional contributions to your annuities," the planners said.

The planners also encouraged her to consider working part time in retirement. "We can't overstate the importance of part-time employment," Mr. Huey said. "It may be only a few hours each week and possibly very little pay. However, the emotional and health benefits of interaction and productivity cannot be underestimated." The financial benefits can also be significant.

"As an example, \$10,000 [of annual income] might not seem like much, but consider the size of the portfolio that is required to generate that much income," the planners said. Assuming a conservative 4 percent annual withdrawal rate, a \$250,000 investment portfolio would be needed to generate an income of \$10,000. Extra income would shield Ms. Robinson's retirement savings because she wouldn't have to tap as much to live on.

"Earning power is part of maintaining your lifestyle," Ms. Outlaw said. "The longer you can do that, the longer you can protect those assets in retirement. And the longer they're protected, the more they can grow."

## **The Planners**

**Deb Outlaw** is a certified public accountant, a certified financial planner, and chief financial officer at Perryman Financial Advisory in Dallas. She graduated from the University of Missouri and has a master's degree in business administration from the University of Texas.

**Ryan Huey** is a certified financial planner and director of financial planning at Perryman Financial Advisory. He graduated from Abilene Christian University in 1998, majoring in financial management and accounting.

## **Their advice**

They advised Olivia Robinson to:

- Cash in CDs, stop contributing to an annuity and take out a home-equity line of credit to eliminate high-interest debt.
- Begin a savings program investing in a balanced mutual fund.
- Consider working part time in retirement to stay busy and protect her savings.
- Buy long-term care insurance to protect her assets in case of disabling health problems.