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Tapping Cyberbrains for Financial Advice

By ROY FURCHGOTT

Despite recent stock market fluctuations -- or maybe because of them -- investments remain hot cocktail chatter as boomers fret about how to swing a comfy retirement. The money has to go somewhere, and under the mattress won't do.

So how much do you need, and what investments should you choose to be able to retire to that cottage on Martha's Vineyard? While a whole industry of investment firms and financial planners is ready to counsel you, often for a hefty fee, budget-minded do-it-yourselfers are turning to inexpensive software that assesses their investments, tell them how much money they will need in retirement and give guidelines on investing to meet that goal.

George Routledge and Sons

BAD PLANNING - Financial software might have helped Mother Hubbard.

Overview

- Tapping Cyberbrains for Financial Advice

This Week's Reviews

- Microsoft Money Financial Suite 99
- Plan Retirement Quick and Easy
- Quicken Financial Planner
- T. Rowe Price Retirement Planning Analyzer

At their best, these programs are simple, harvesting data from an electronic checkbook to give you an accurate thumbnail appraisal of saving and spending habits that will put you on track for that beach house. At their worst, they resemble an Internal Revenue Service audit. Your experience with them depends largely on your record keeping and financial acumen. If you already have a program like Quicken or Microsoft Money and keep detailed records, projecting your future is a snap. If you keep old bills in a shoebox, you're in for many hours of data entry.

If you let your records pile up because you don't know how to organize your finances, however, you might consider using these programs to help you turn that pile of receipts into a sensible balance sheet.

I looked at the 20 best-selling financial-planning CD-ROM's and found three comprehensive planners. These programs prod you through a detailed questionnaire to determine your long-term financial status.

They were Quicken Financial Planner, which can be purchased separately or as part of the popular Quicken Suite (Quicken products are the top-selling planners); Microsoft's Lifetime Planner, which is integrated in the MS Money Financial Suite, and Plan Retirement Quick & Easy from Individual Software, which also makes Retire Ready Deluxe, which has more features but was not a top 20 seller. And T. Rowe Price offers a planner you can get by mail on CD-ROM or download.

The plans all forecast and suggest investments based on several factors, like how fast you want your money to grow, how much risk you want to take and how various investments (stocks, bonds, funds) have performed over time. Their pie charts telling you how to divide your investments can be found in any personal finance book, and even in many financial firms' brochures. These cyberplanners will not replace a flesh-and-blood financial planner completely, and most offer a disclaimer saying so.

To test these programs, I asked Kevin Condon, a partner in Baltimore-Washington Financial Advisors Inc., which offers traditional financial planning services, to feed the real financial dossier of a family his company advises into these programs and compare the results. Condon renamed the family members John, Jane and Lisa Doe. John, 56, an engineer, earns $51,000 a year and plans to retire in seven years. Jane, 50, makes $65,000. She retires in eight years with a pension of $38,000 a year and no Social Security because she's a Federal employee. Lisa, 15, is in a private school that costs $16,500 a year and plans to attend a private college costing about $30,000 a year.

The Does are very good savers and have invested $360,000 in 401(k) plans and about $267,000 in mutual funds, individual stocks and bonds and a thrift savings plan. They would like to spend $50,000 next year on a wish list of items. Expenses are low, they carry little debt, and they put aside more than $10,000 a year.

Their planners say the Does will be able to pay for Lisa's education and manage a very comfortable retirement. Condon's calculations assume a assuming 3 percent inflation, an 8 percent return on investments before retirement and a 6 percent return after retirement, and adjust the tax each year as income changes (the overall average tax is 25 percent). When Ms.

Doe dies, (statistics say that she will outlive her husband), she will leave Lisa an investment portfolio of $3.79 million.

Ah, but what do the cyberplanners say?

Roy Furchgott, a writer based in Baltimore, frequently reports on personal finance.