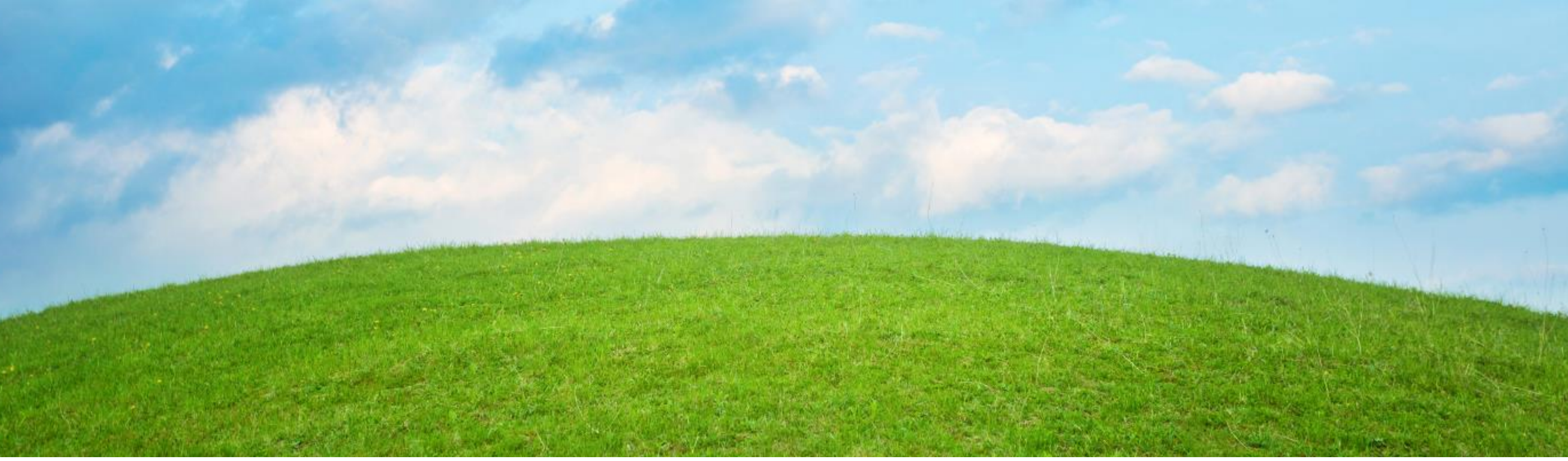

Avoid the Crippling Hill That Jack and Jill Went Up

Sometimes the best financial advice is the simplest: tough, objective love

The couple had made every mistake you could: retired too early, spent too much, took on too much house and too much debt. “This is killing me,” Jill told their new advisor (me), as she burst into tears.

Jack and Jill left their well-paying jobs in their late 50s, with little idea how they would pay for a long retirement. With anguished faces, they came to me, a financial advisor, for a solution. As a financial advisor, my solution was tough love, and since they were at their wit’s end, they were open to hearing it.

Jack, Jill and I created a plan to save them from personal bankruptcy: sell their home, pay down credit card debt, cut up all cards and only use cash and create more realistic financial goals. Jack and Jill are still working on their recovery plan, yet things are looking brighter.

When they came to her office, they were laden with paperwork showing their financial distress. The card statements alone were hair-raising. They needed an objective person to tell them: Sell the house, tear up the cards and don’t use them again.

The Importance of Financial Planning

To these well-educated professionals, everything once seemed affordable. Jack was an executive at a manufacturing company, and Jill was a community college teacher. Then he got laid off, and they both figured they could afford to kick back.

But they had no idea what their situation truly was. They had paid to put their four children through some of the best – and most expensive – colleges.

They lived in a high-toned New Jersey town outside New York City: It had excellent schools. Trouble was, that meant high property taxes.

Although they lived in an elegant home, their net worth was miniscule due to a $200,000-plus credit card debt, a large mortgage and virtually no savings – apart from Jill’s IRA. Doug’s 401(k) was gone already. To meet expenses, they had drained his account, which of course incurred taxes and penalties.

With the kids gone, what they should have done was downsize their lives and Jack should have gotten another high-paying job. But they coasted along for a few years. Prolonged unemployment does not look good on a resume.

Their house was beautiful, full of antiques and debt-laden. The place was worth $1.5 million, but it carried $1 million in debt, from both the mortgage and a home equity loan.

So they sold the house and the antiques, and channeled a big chunk of the proceeds to getting rid of the card balance.

Jack and Jill originally are from Iowa they have an adult son living there, so the couple moved there to join him. After they retired, their cost of living has declined significantly and they slowly are building up their net worth. Jack found a part-time teaching position and Jill located an office job.

They don't have a bright future yet, although they are working on it.