Some More Numbers to Juggle in Figuring Out Retirement
Damon Darlin

When a group of economists argued recently that Americans might be saving too much for retirement, Fidelity Investments could not have disagreed more.
The crux of the economists' arguments was that financial services companies were overestimating the percentage of pre retirement income needed to live well when no longer working. The companies' online calculators usually place that figure at 85 percent.

(The companies point out that the calculator settings can be changed to fit any assumption and that 85 percent is a starting point, not a substitute for personalized retirement planning.)

The economists — a loose confederation of financial experts from universities, research institutions and the government — said their research led them to believe that the rate could be closer to 65 percent for many people.

This week, Fidelity released some results of a survey of workers on how well they were saving for retirement. Guy L. Patton, executive director of the Fidelity Research Institute, said Americans on average were saving only enough to provide them with 58 percent of their preretirement income, counting personal savings, Social Security benefits and pension income.

When Fidelity looked at specific age groups, the news was slightly more favorable. Baby boomers, those born from the end of World War II to 1964, have enough saved to provide them with 62 percent of preretirement income, the survey found. Those who told Fidelity they were on track to a comfortable retirement anticipated a 68 percent rate.

If you believe in the wisdom of crowds, that might be further evidence that the contrarian economists are right when they say that 85 percent is excessive. After all, those who think a lot about saving may have arrived at their own rule of thumb.

Fidelity still disagrees. "Our sense is that is not nearly enough," said Mr. Patton, who notes that a savings rate of 10 percent to 15 percent for someone in their 20s is required to have enough to provide 85 percent of preretirement income.

Of course, using a 68 percent rule of thumb can be as arbitrary as using 85 percent. The only way to know is to examine your savings plan and use the resources of a financial services company to help determine if you are saving too much or too little. (Just recognize that it is their business to persuade you to save more.) Only 23 percent of respondents had detailed and formal retirement plans.

Speaking of the wisdom of crowds, Fidelity says that those Americans over age 25 who think they are saving enough save about 7.5 percent of their annual pay.

Used Tires and Safety

About 30 million used tires were sold in the United States last year, almost 10 percent of all replacement tires sold.

Used tires are a money-saving choice for people who need to replace tires on a leased vehicle or on a car they are planning to sell soon. A new Goodyear Eagle RS-A that goes for about $100 at a Big O tire store sells for about $18 at BorderTire.com, a used-tire dealer.

Jobbers collect used tires from tire stores and the auto departments of Wal-Mart or Sears after they are replaced with new tires. The used-tire companies can get about $1 each by scrapping them or up to $10 apiece selling them to tire dealers. The profit margins for used tires are far better than for new tires, which explains why almost every tire store sells them.

Reputable dealers examine the tires and grade them. But the problem is that most consumers, unless they have a degree in polymer science, will not be able to see flaws in a tire. Some tires are detailed — that is, meticulously cleaned — and even painted so they look younger.

Sean Kane, an auto safety consultant at Safety Research and Strategies (safetyresearch.net) in Rehoboth, Mass., said that although consumers look at the depth of tire tread, the real concern should be the age of the tire. He wrote in a recent issue of The Safety Record, his firm's newsletter, that "tires age in a way that often cannot be detected visually."

A tire that looks new can be deteriorating internally, he said, in the same way that an old rubber band in your desk drawer might gradually develop cracks. It all depends on how the tire has been driven — underinflation ruins a tire — or where it has been stored.

Mr. Kane said that the scope of problem tires was unknown. But he said that he had found 108 incidents in which tires older than six years were involved in loss-of-control crashes. These incidents caused 85 deaths and 115 injuries. Slightly less than a third of the vehicles had tires that were bought used.
State governments regulate how much tread must be left on a tire — the depth varies state to state — but not the age or integrity of the tire's structure. Mr. Kane wants tires taken off the road after six years.

Howard Levy, president of UsedTires.com in Boca Raton, Fla., said Mr. Kane's proposal might not do consumers any favors. He said that rules regulating the age of tires on the road would mean consumers would spend more to swap out tires long before their useful life was over. The tire makers would love this, of course. "I don't see where the real benefit comes for the consumer," he said.

If you want to know how old your tires are, look at the wall of the tire for the word "DOT" followed by six numbers. The first two designate the factory where it was made and the next four denote the week and year of its manufacture. For example, 3105 would mean the 31st week of 2005.

The National Highway Traffic Safety Administration site has information on that code and all the rest of the text on a tire at www.nhtsa.gov/cars/rules/TireSafety/ridesonit/brochure.html#dotcode.

Rewarding Punctual Debtors

Discover Financial Services says it wants to reward its best credit card customers.

Discover, a unit of Morgan Stanley with more than 50 million cardholders, defines its best customers as those who pay their bills on time but do not pay off their whole bill every month. They maintain a balance and pay interest as high as 18 percent on the money they have borrowed.

Its new card, Motiva, will reward those people every six months by paying the next month's interest on their balance.

Margo Georgiadis, executive vice president and chief marketing officer of Discover, called it a "breakthrough new product." The card is a result of research that showed that those who carried balances felt they deserved a reward for their patronage, she said. After all, reward cards, which Discover pioneered, repay the people who spend the most. About 50 percent of consumers carry a balance and 80 percent of them pay on time, the company said.

Motiva also rewards spending. Cardholders get a 1 percent rebate on all purchases after they have spent $3,000.

But what about the consumers who pay on time and do not run up debts? Where is their reward?

Ms. Georgiadis said she did not have a card for them. Maybe good behavior is its own reward.

FOLLOW-UP One rap against Redfin, the online real estate brokerage company that issues rebates for a portion of its commission to customers, has been that its agents do not negotiate as well as full-service agents getting a full 6 percent commission. The company studied the Seattle market and found that its buyers' agents negotiated lower prices than were listed, while negotiations by traditional brokers resulted in a price above the listing price. The average difference amounted to $4,420 (www.redfin.com/stingray/do/landing-page?uid=pr-redfin-advantage).

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