The Bogleheads' GUIDE TO Retirement Planning

Taylor Larimore | Mel Lindauer | Richard A. Ferri | Laura F. Dogu

Foreword by JOHN C. BOGLE

ADDITIONAL PRAISE FOR
THE BOGLEHEADS' GUIDE TO RETIREMENT PLANNING

"If you're interested in funding your own retirement rather than some Wall Streeter's retirement, this is the book for you. Read it cover to cover and you'll end up knowing more than 90 percent of financial professionals. Hats off to the Bogleheads for the great service they have done for consumers with this book."

Allan S. Roth, CFP®, CPA, MBA,
Author of *How a Second Grader Beats Wall Street*

"To find true financial joy, you need to integrate sound financial principles into your life. Retirement is an opportunity to live the life you always dreamed of—but only for the prepared. That's where the Bogleheads shine. You can always count on them for straight talk, thoughtful commonsense commentaries, and a willingness to help others. We can all learn from their grassroots, solid approach to retirement planning that is consistently supplemented with the powerful, rich conversations that take place every day at www.bogleheads.org."

Sue Stevens, President,
Stevens Wealth Management LLC and
Financial Happiness LLC

The Bogleheads'

Guide to

Retirement Planning

The Bogleheads' Guide to Retirement Planning

Taylor Larimore
Mel Lindauer
Richard A. Ferri
Laura F. Dogu

Foreword by John C. Bogle

WILEY
John Wiley & Sons, Inc.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.
Published simultaneously in Canada.

Library of Congress Cataloging-in-Publishing Data

The Boglehead's guide to retirement planning/Taylor Larimore . . . [et al.]; foreword by John C. Bogle.
p. cm
Includes index.
ISBN 978-0-470-45557-9 (cloth)
1. Retirement income—Planning. 2. Finance, Personal. I. Larimore, Taylor, 1924-
HG179.B5688 2009
332.024'014—dc22

2009021676

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

This book is dedicated to John C. Bogle.
For his wisdom, kindness, and unselfish devotion to helping individuals achieve their dreams.

All royalties from the sale of this book are being donated to:
The National Constitution Center
Philadelphia, PA

Contents

Foreword by John C. Bogle xiii
Preface xix
Acknowledgments xxix

Part I
The Basics

Chapter 1
The Retirement Planning Process by Thomas L. Romens 3

Chapter 2
Understanding Taxes by Norman S. Janoff 21

Part II
Savings Accounts and Retirement Plans

Chapter 3
Individual Taxable Savings Accounts by Dan Kohn 35

Chapter 4
Individual Retirement Arrangements by Jim Dahle 47

Chapter 5
Defined Benefit Employer Retirement Account by The Finance Buff 61

Chapter 6
Defined Contribution Plans by Dan Kohn 77

Chapter 7
Single-Premium Immediate Annuities by Dan Smith 91

Part III
Managing Your Retirement Accounts

Chapter 8
Basic Investing Principles by Bob Davis 119

Chapter 9
Investing for Retirement by David Grabiner and Alex Frakt 135

Chapter 10
Funding Your Retirement Accounts by David Grabiner and Ian Forsythe 151

Part IV
The Retirement Payoff

Chapter 11
Understanding Social Security by Dick Schreitmueller 169

Chapter 12
Withdrawal Strategies by Carol Tomkovich 187

Chapter 13
Early Retirement by Jeff McComas 201

PART V
PROTECTING YOUR ASSETS

CHAPTER 14
INCOME REPLACEMENT BY LEE E. MARSHALL 221

CHAPTER 15
HEALTH INSURANCE BY LEE E. MARSHALL 239

CHAPTER 16
ESSENTIALS OF ESTATE PLANNING BY
ROBERT A. STERMER 255

CHAPTER 17
ESTATE AND GIFT TAXES BY
ROBERT A. STERMER 273

PART VI
FINDING GOOD ADVICE WHEN YOU NEED IT

CHAPTER 18
SEEKING HELP FROM PROFESSIONALS BY
DALE C. MALEY AND LAUREN VIGNEC 285

CHAPTER 19
DIVORCE AND OTHER FINANCIAL DISASTERS BY
DAVID RANKINE 303

CHAPTER 20
MEET THE BOGLEHEADS BY
TAYLOR LARIMORE AND MEL LINDAUER 315

APPENDIX I: PEARLS OF WISDOM 327

Appendix II: Recommended Reading 333
Glossary 337
About the Editors 351
Index 355

Foreword

It's hard to imagine a more fortuitous time to write a guide to retirement planning. The global financial crisis and the recession and bear market it has brought in its wake have exposed the tenuous condition of the retirement savings of millions of Americans, who would undoubtedly benefit from the sort of advice the Bogleheads dispense in this book.

On the other hand, it's also hard to imagine a time when investors might be more reluctant to read *anything* that has to do with investing. Their nest eggs often depleted and sometimes shattered, and dreams of retirement delayed if not deferred—largely due to the recklessness of a select group of Wall Street experts who seemed unable to measure the risks on the balance sheets of the firms they ran—one could hardly blame an investor who says "the heck with it all," writing off the financial markets as a rigged game, one in which their capital is used, first and foremost, to enrich the insiders.

But the fact that such a reaction is understandable doesn't make it correct. For better or worse, most Americans today who want to enhance the modest retirement income distributed through our Social Security system have been given the responsibility of funding and managing their own retirement accounts, charged with investing their way to a secure financial future. The current economic crisis will not absolve us of that responsibility, even as it makes it more difficult. Invest we must.

But that by no means implies that investors should continue blithely along the path they'd been on. As the current bear market has made plain, too many Americans were ill-prepared to shoulder the responsibility that had been placed upon them. Even worse, our mutual fund industry was equally incapable of providing the assistance our nation of amateur investors needed. The conflicts of interest mutual fund managers face—seeking to maximize their own earnings, which reduce, dollar for dollar, the returns earned by their mutual fund investors—proved too great a temptation for them to resolve in favor of their fund investors.

So what is an investor to do? First and foremost, seek wisdom. "Wisdom excelleth folly as far as light excelleth darkness." I used those words from Ecclesiastes some 15 years ago, in the epilogue of my first book, *Bogle on Mutual Funds,* as a way of introducing my Twelve Pillars of Wisdom, which I described as "lamps to guide you on your search for a sensible, productive investment program."

Reviewing them recently, I was struck by how well they have stood the test of time. I'll let you judge for yourself:

1. *Investing is not nearly as difficult as it looks.* Successful investing involves doing just a few things right and avoiding serious mistakes.
2. *When all else fails, fall back on simplicity.* There may be a handful of alternatives that prove to be better than simply buying and holding a portfolio balanced equally between a total stock market index fund and a total bond market index fund over the long term, but the number of alternatives that will prove to be worse is infinite.
3. *Time marches on.* The majesty of compounding returns is remarkable. Over 25 years, an 8 percent annual return grows a $10,000 investment by $58,500. But the tyranny of compounding costs is remarkably destructive. Annual costs of 2.5 percent would reduce that return to 5.5 percent and slice your portfolio's long-term growth by more than half, to $28,100.*
4. *Nothing ventured, nothing gained.* Yes, the stock market is volatile. Yes, its future returns are unknown. But eschewing the stock market incurs its own risks. Our recognition of that and our faith in the resiliency of American capitalism compel the majority of American investors to allocate at least some portion of their nest egg to stocks in an effort to reach their long-term goals.
5. *Diversify, diversify, diversify.* While it's impossible to eliminate all of the risk associated with investing, risk can be greatly reduced by diversifying broadly within each asset class (ideally, using a low-cost total market index fund) and then constructing a well-balanced portfolio that owns an appropriate mix of stocks and bonds.
6. *The eternal triangle.* Risk, return, and cost are the three sides of the eternal triangle of investing, inextricably linked to the long-term growth of your portfolio.

*Over an investment lifetime of, say, 50 years, the final values are, respectively, $459,000 and $135,400, a reduction of fully 70 percent.

7. *The powerful magnetism of the mean.* Investment superstars come and go, the vast majority proving to be comets who briefly illuminate the firmament with spectacular performance, only to see their returns deteriorate, returning to, and then lagging, the average returns of their peers and the market.
8. *Don't overestimate your ability to pick superior equity mutual funds, nor underestimate your ability to pick superior bond and money market funds.* In equity funds, past returns tell us nothing about what the future holds. Performance comes and goes, and yesterday's leaders are likely to be tomorrow's laggards. The top-performing bond and money market funds, on the other hand, are typically populated by the lowest-cost alternatives. In these areas, investors can choose the low-cost leaders with a reasonable amount of confidence in their favorable prospects for continued success.
9. *You may have a stable principal value or a stable income stream, but you may not have both.* Intelligent investing involves choices, compromises, and trade-offs, perfectly illustrated by the choice between a 90-day Treasury bill's fixed value and volatile income stream, on one hand, and a long-term Treasury bond fund's volatile market value and relatively stable income stream on the other.
10. *Beware of fighting the last war.* Too many investors—individuals and institutions alike—become infatuated with the recent past and find themselves eternally (and futilely) reacting to what has happened in the financial markets instead of building a portfolio that can withstand whatever the future holds, recognizing that particular cycles and trends never last forever.
11. *You rarely, if ever, know something the market does not.* The financial markets reflect the hopes, the fears, even the greed of all investors everywhere. It is nearly always unwise to act on insights you think are your own but are in fact shared by millions of others.
12. *Think long term.* The daily volatility of the market is often "a tale told by an idiot, full of sound and fury, signifying nothing." The wise investor tunes out this noise and patiently focuses on the long term while staying the course.

Of course, these 12 pillars are more than just an epilogue to a 15-year-old book. They represent the foundation on which I built The Vanguard Group. From its inception in 1974, I strove to make Vanguard a firm that emphasized the simple over the complex, the enduring over the ephemeral, and the low-cost over the costly, represented most clearly by the broad market index fund, which guarantees its investors nothing more (and nothing less) than their fair share of whatever returns our financial markets provide.

And as pleased as I am that, 35 years later, history has shown the merit in such an approach to investing, I'm even more pleased with how broadly it's been embraced by millions of investors, none more so than the group that calls themselves the Bogleheads.

I met my first Boglehead on February 3, 1999. I had flown to Miami to deliver a speech, and Taylor Larimore, the group's unofficial leader, invited me to join a group of his compatriots for dinner at his home that evening. Taylor and his friends proved to be as wonderful a group of people as I had ever met—intelligent, thoughtful, trustworthy, and eager to help others—in short, good human beings. We all had so much fun that our gathering quickly became an annual event. We've held our reunions in cities all over the country, and each one has been larger than its predecessor. Bogleheads 8 is scheduled for Dallas, Texas, in September 2009.

This group of like-minded investors represents the promise of our electronic age, which combines a seemingly endless amount of information with an unprecedented ease of communication. Harnessing both, the Bogleheads band together to help and encourage all comers to sort through the noise in the pursuit of their financial goals. Collectively, the group provides a vast gold mine of wisdom and experience waiting to be explored.

The Bogleheads' Guide to Retirement Planning is a true gem from that gold mine, a book whose advice is firmly built upon those Twelve Pillars of Wisdom. Truly a group effort (no fewer than 40 Bogleheads contributed to it in some capacity), this book provides the reader with a first-rate primer on saving and investing for retirement, covering everything from opening and funding a retirement account, to investing it wisely, to drawing down your account, to estate planning—not quite cradle-to-grave coverage, but pretty close.

Importantly, these investors/writers/believers do so in a way that even the most novice investor will be able to follow. I'm admittedly not the most impartial judge of their work—heck, I'm probably the *least* impartial person you could find for that task—but I'm certain that our nation of investors would be far better served if more of them acted on the advice the Bogleheads dispense in this book.

I'm often asked what it's like to have a group of people name themselves after you. It is, I readily admit, more than a little surreal, at least in the abstract. But getting to know the Bogleheads over the past 10 years or so—both in person and by following their online community—has been one of the more rewarding experiences of my long career, not because of the undeniable boost they provide my ego (though that never hurts!) but because the Bogleheads represent the fulfillment of what I have dedicated my career to building.

When I founded Vanguard all those years ago, I did so in the face of enormous skepticism. It was a brand-new organization—one operating with a then-as-now unique structure—whose success depended not on a vast marketing budget or an army of sales representatives but on faith—a faith that individual investors, one by one, would come to recognize that this then-tiny firm, doing things differently, would serve their own economic interests, and a faith that that would be sufficient to ensure our enterprise's success.

When I chat with the Bogleheads, they almost invariably thank me for starting Vanguard. But in reality, it is I who should be thanking them. It is investors like these fine human souls who validated my leap of faith and who allowed the Vanguard experiment to flourish. And that success, such as it were, has provided me with far more acclaim than any one person deserves. It is hardly an overstatement to say that whatever success I may have enjoyed in my long career is due entirely to the fact that my faith in investors like the Bogleheads has been so well placed.

And so it is with immense pleasure that I commend *The Bogleheads' Guide to Retirement Planning* to you. After reading this book, I'm confident that you'll agree with me that the Bogleheads, this diverse collection of caring individual investors, are a remarkable group. Even better, when you learn from their collective wisdom, you'll join the ranks of investors who are well on their way to realizing their investment goals.

John C. Bogle

Valley Forge, PA

Preface

We live in a country facing many challenges. No one can deny the importance of a strong national defense and an aggressive response to the terrorist threats that we face. No one can turn away from the importance of assuring a sound physical infrastructure when we see pictures in our newspapers of major interstate highway bridges collapsing under the load of rush hour traffic. We all agree that our secondary schools and colleges seed the future of America and they must offer a top-notch education. And we all know that without health, we cannot have wealth. Affordable health care is paramount to the long-term well-being of our citizens and an important driver of worker productivity in a competitive global marketplace.

There are many worthwhile claims on our time and money, but there is one that has major long-term economic implications if not addressed wisely and with resolve. A growing portion of America's population will reach retirement age over the next 25 years. If we do not seriously address how those retirement income streams will be funded, we run the risk of allowing the greatest single threat to American prosperity to overtake us because of procrastination. The American people, including the younger members of our society, need clear and comprehensive guidance to deal with the challenges we all face on the issue of preparing to meet a burgeoning retirement challenge in the years ahead.

The *Bogleheads' Guide to Retirement Planning* is a grassroots call to action. It encourages a broad, individual response to prepare for retirement.

The individual chapter authors are not professional writers. They are people just like you: skilled laborers, white-collar workers, teachers, entrepreneurs, small-business owners, and the like. The authors have no incentive in this not-for-profit endeavor except to make a difference—to help people who want to be helped by providing valuable information on a range of retirement planning topics. What has been written in these chapters has been learned through self-education, primarily by reading books, articles, and research and by participating on the Bogleheads.org forum. Most important, it is information gathered by the life experiences of many people. These authors are a part of a remarkable group of people who call themselves *Bogleheads.*

THE BOGLEHEADS

Boglehead is the name adopted by individuals who follow the business and investing beliefs of an extraordinary man, John C. Bogle, founder and former CEO of the Vanguard Group of mutual funds. Jack, as he likes to be called, is credited with being the father of index mutual funds.

In 1975, under Jack's leadership, the newly formed Vanguard Group launched the very first publicly available index fund, the Vanguard First Investors Trust. The fund tracked the popular S&P 500 Index of mostly large U.S. common stocks. The fund was later renamed the Vanguard 500 Index Fund and eventually grew to become the largest mutual fund in history. The very low mutual fund expenses and sensible investment strategies of the Vanguard Group have allowed millions of individual investors to save billions of dollars in costs over the years, and that money saved is money earned.

But Vanguard is not the whole story behind Jack Bogle. He is also a model of business integrity. He stands like a pillar of ethics in a world seemingly gone mad with Ponzi schemes and multimillion-dollar golden parachutes paid to failed CEOs. Jack is a reformer. He relentlessly offers a host of practical business advice through his writings and speeches in an attempt to restore integrity in corporate America and to protect small investors' interests. For his efforts, John C. Bogle has been granted many honors, including inclusion in *Time* magazine's "world's 100 most powerful and influential people" and *Fortune* magazine's "four Giants of the 20th Century" in the investment community.

Jack Bogle has tens of thousands of followers, and many of them communicate with each other regularly. The main communication network for the Bogleheads is over the Internet on a dedicated web site, www.Bogleheads.org. Members of this free online community discuss topics ranging from mutual funds to complex investment strategies to who is the most famous guitarist of all time. On any given day, the forum hosts thousands of participants and visitors. Any person visiting Bogleheads.org may read the conversations, but you must register to participate in the discussions. That involves selecting a screen name and agreeing to follow certain ethical guidelines. Registration is free.

Bogleheads.org evolved from the Morningstar Vanguard Diehards forum established in March 1998. Taylor Larimore posted the first of his more than 24,000 forum contributions on the Morningstar site in

Conversation #1. Mel Lindauer was another pioneer whose investment and business experience soon made him a forum leader. As the Morningstar forum expanded over the years, it became necessary to create a stand-alone web site that had added functionality and oversight. Thus, Bogleheads.org was born. The web site is now the largest not-for-profit investment site on the Internet.

A relatively new and exciting part of the Boglehead.org online community is the Bogleheads Wiki. It was a pioneering project by Barry Barnitz and a small group of forum members. The Wiki is an online encyclopedia of sorts that is a collection of content and Web page links designed to educate investors. The group quickly realized the valuable contribution they could make to both the forum and the greater investing community at large by creating the Bogleheads Wiki site.

Off-line, the Bogleheads have expanded to include regular local chapter gatherings and a national reunion. There are now 38 local chapters throughout the United States and Europe. Local chapter members meet periodically to discuss investing topics of interest with other members from their area. Each year, a local chapter volunteers to host the Bogleheads reunion, which Jack Bogle traditionally attends. The 2009 conference visits the Lone Star state with a meeting in Dallas/Fort Worth. Information on all these activities can be found on the web site.

Our family of Bogleheads is vast and growing, but you do not need to register to consider yourself a follower. Being a Boglehead is a state a mind, not a web site. Anyone who believes in Jack Bogle's philosophy on good business ethics and low-cost investing principles is already a member. Chapter 20 is dedicated to the hard work and countless hours all Bogleheads have volunteered to promote this message.

THE COMING RETIREMENT BOOM OR BUST

This book addresses the enormous issue of retirement in America. Each year for the next 25 years, more people will reach retirement age but will find fewer resources for them to draw from. The senior population has grown by 50 percent since 1980, from 25 million to nearly 40 million in 2009. Retirees are living longer and are healthier. In 1985, more than a quarter of the 85-plus population lived in nursing homes. By 2008, that proportion had fallen to only 13 percent of people this age because of advances in health care and better fitness.

With so many people entering retirement over the next couple of decades and retirees living longer, where are the resources going to come from? In 1980, many people retired with a defined benefit pension paid by their employers. Today, traditional pensions paid by employers are disappearing, and personal savings and employee-funded retirement plans must make up the difference. But are we saving enough? How much is enough? This book teaches people how to come up with those answers.

Changes Coming in the Social Network

Some people still believe that Social Security and Medicare will provide adequate income and health benefits after age 65. Unless you are already well into your retirement years, it is probably a good idea to make other plans. Our social services networks are woefully underfunded and cannot deliver the level of economic welfare that many people expect.

Some prognosticators suggest that all we have to do is rearrange our economic activities to spur greater economic growth to address the shortfall in Social Security and Medicare. The reality is that economic growth becomes stifled with growing government entitlements and a smaller workforce to draw from. Unless we change the work behavior patterns of the adult population, our demographic structure will mean that labor force growth rates will drop to near zero in the 2010s. Even if we can achieve higher levels of productivity, much of this expected productivity improvement is already committed to support the higher need for services related to our aging population. Increasing costs of health services worsen the situation.

These facts cannot be dismissed, nor can a future retiree ignore the inevitable changes in benefits that are coming. It is likely that eligibility ages under Social Security and Medicare will have to be raised again. Raising the retirement age will give workers a longer time to contribute to their retirement plans and reduce the rate at which they have to contribute. In turn, it will simultaneously reduce the number of years a person is in retirement and the amount of resources needed to sustain a lifestyle that is acceptable after the work career has ended. Simply put, most people should plan to work longer.

The Saving Status of Americans

Just two or three decades ago, saving for retirement in the United States was based heavily on employer-provided defined benefit plans. Benefits after retirement were typically received through monthly or biweekly payments from lifetime income annuities. Now personal tax-advantaged accounts such as the 401(k), 403(b), IRA, and Roth IRA plans have become the primary form of saving for retirement. These private retirement accounts hold assets that are currently about four times the size of defined benefit programs.

Self-funded retirement accounts place the responsibility for preparing for retirement squarely on the shoulders of the individual. Workers must have the discipline to save significant sums consistently for many years. And workers in many defined contribution plans must also wrestle with investing their funds. That is not an easy task, and some workers don't want to do it. Consequently, many participants put their money in low-yielding money market accounts that have no probability of growing faster than inflation over time. In addition, at the time of retirement, the participant has sole control of the rollover assets and must determine what to invest in and when and how to withdraw assets from those accounts. These are not easy decisions for most people. Fortunately, all of these issues are discussed by the authors of this book.

We could not write a retirement planning book without addressing risk. There is investment risk any time an investor attempts to achieve returns higher than Treasury bills. During 2008, major U.S. equity indexes were sharply negative, with the S&P 500 Index losing 37 percent for the year. As the market moved lower, it translated into corresponding losses in 401(k) plans. The nonpartisan Employee Benefit Research Institute (EBRI) published an analysis of the impact of the recent financial crisis on 401(k) retirement account balances in 2008. The EBRI analysis, published in the February 2009 *EBRI Issue Brief,* used a database of more than 21 million participants to estimate the impact of market activity on 401(k) account balances.

Not surprisingly, how the recent financial market losses affect individual 401(k) account balances is strongly affected by the size of a participant's account balance. Those with low account balances relative to contributions experienced minimal investment losses that were typically more than made up by new contributions. Those with less than $10,000 in account balances had an average growth of 40 percent during 2008, because contributions had a bigger impact than investment losses. However, those who had balances of $200,000 or more had an average loss of more than 25 percent because contributions made up a significantly lower portion of the account balance.

The loss in retirement savings has a profound impact on future retirement trends. It is likely to take several years before the balances of some workers reach their prerecession highs, and that includes new contributions made during the next few years. But that does not mean people should abandon their efforts; far from it. Some belt tightening may be needed, but the plan must continue. As our mentor, Jack Bogle is fond of saying, *stay the course!*

ABOUT THIS BOOK

There is a bull market in uncertainty in America and around the globe. So wide and deep are the issues that it is difficult to grasp all that has changed and will change in the months and years ahead. But one thing has not changed: your need to prepare. You must continue to strive for a viable retirement plan by evaluating the best ways to save, the best accounts to save in, the right amount to save, a reasonable estimate of the role government entitlements will play, how you will insure against setbacks, and how you handle a financial crisis.

This book was written for all people who are planning to retire at some time in life. We certainly encourage young people to read this book. However, we understand that most young people who enter the workforce for the first time may *save* for retirement but tend not to *plan* for retirement. Planning for retirement tends to begin around midlife, when the bones get a little creaky and the cage upstairs starts to shed a few neurons. When retirement thoughts start popping up at any age, don't ignore them. Move those thoughts to the forefront of your thinking because you're ready to start planning. So what should you do? How do you start? How much do you need? And who should you trust for answers?

The *Bogleheads' Guide to Retirement Planning* is a great place to start building a long-term viable plan. The book covers most of the basics. However, it does not provide definitive answers to all questions. More research on your part is needed. Appendix II has a great book list compiled by Boglehead Taylor Larimore. Although Bogleheads tend to be do-it-yourself people, some issues do require the help of a professional. Trying to cut corners by doing complicated tasks yourself is not always the best course of action.

CHAPTER REVIEWS

Part I: The Basics

Chapter 1, "The Retirement Planning Process," by Thomas L. Romens provides a great overview of things to come in the rest of the book. Tom takes you through the highlights and distinguishes the difference between saving for retirement and actually planning for it.

Chapter 2, "Understanding Taxes" by Norman S. Janoff is an important introduction to all types of taxes that can affect your retirement plan. Minimizing the impact of taxes while in retirement is critical because it maximizes your discretionary income from pensions, Social Security, and your portfolio.

Part II: Savings Accounts and Retirement Plans

Chapter 3, "Individual Taxable Savings Accounts," by Dan Kohn explains why a taxable savings account is the most straightforward way of holding investments, though seldom the best way because you will be taxed on the income and capital gains each year.

Chapter 4, "Individual Retirement Arrangements," by Jim Dahle shows why an individual retirement arrangement (IRA) is one of the best ways an investor can save for retirement. The advantage is that the assets in an IRA grow without being taxed each year, leaving more money to compound for your future benefit.

Chapter 5, "Defined Benefit Employer Retirement Account," by The Finance Buff (an alias, of course). The focus of this chapter is on defined benefit plans. Funded by employers, an employee's income benefit at retirement depends on salary and years with the employer.

Chapter 6, "Defined Contribution Plans," by Dan Kohn covers an assortment of retirement plans, including the popular 401(k) and 403(b) plans, as well as profit-sharing arrangements and ESOPs. Dan explains the benefits and disadvantages of each plan.

Chapter 7, "Single-Premium Immediate Annuities," by Dan Smith tackles the subject of guaranteed income streams in retirement. This interesting chapter covers all types of immediate payout annuities and includes a guide for getting the best deal.

Part III: Managing Your Retirement Accounts

Chapter 8, "Basic Investing Principles," by Bob Davis covers exactly what the title says. The chapter includes good Boglehead principles, such as diversifying your investments to reduce the risk of a large loss, maximizing your return by minimizing expenses, and sticking with your plan.

Chapter 9, "Investing for Retirement," by David Grabiner and Alex Frakt discusses the details of a good investment strategy while saving for retirement. This chapter focuses on creating the road map to a solid investment plan.

Chapter 10, “Funding Your Retirement Accounts,” by David Grabiner and Ian Forsythe provides an order to funding your retirement. It is devoted to helping you make an informed decision from among the various types of accounts available to you.

Part IV: The Retirement Payoff

Chapter 11, “Understanding Social Security,” by Dick Schreitmueller is a critical chapter for everyone to read. Social Security is a primary source of income for many retirees, yet few people know as much as they should about this vast program.

Chapter 12, “Withdrawal Strategies,” by Carol Tomkovich explains that the end result of your retirement plan is to provide stable income that is high enough to maintain the lifestyle you wish to live. But how do you efficiently take money out of your various accounts? This chapter helps answer these important questions.

Chapter 13, “Early Retirement,” by Jeff McComas may sound impossible in today’s economic environment, but it is not. This chapter describes strategies to bridge the income gap between your last day of full employment and your first Social Security check.

Part V: Protecting Your Assets

Chapter 14, “Income Replacement,” by Lee E. Marshall is a critical chapter. The focus of this chapter is on life and disability insurance programs. With life’s uncertainties, protecting your future earnings from premature death or disability is a necessity.

Chapter 15, “Health Insurance,” by Lee E. Marshall is another issue that cannot be ignored in a good retirement plan. Planning for medical care provides a solid foundation for retirement.

Chapter 16, “Essentials of Estate Planning,” by Robert A. Stermer provides an overview of how you can control decisions made on your behalf when you are not able to do so. It includes life preservation directives during a critical medical problem and how your worldly possessions will be distributed after you are gone.

Chapter 17, “Estate and Gift Taxes,” by Robert A. Stermer provides insight into the complex and often changing world of distributing wealth without taxation. Planning today for sharing your wealth can save your heirs thousands of dollars in the future.

Part VI: Finding Good Advice When You Need It

Chapter 18, "Seeking Help from Professionals," by Dale C. Maley and Lauren Vignec offers guidance on whom to trust in the finance industry. This chapter will help you understand different types of financial advisers, how they work, how they are paid, and how to choose one for the need you have.

Chapter 19, "Divorce and Other Financial Disasters," by David Rankine is required reading. The world is not perfect; people lose jobs, good health turns bad, and more than half of marriages end in divorce. David's enlightening chapter will assist you to find the help you need to protect your retirement plan when life's ugly side turns your way.

Chapter 20, "Meet the Bogleheads," by Taylor Larimore and Mel Lindauer is a special chapter about how this group helps thousands of individuals. You'll learn a bit of the history of how the Bogleheads came to be, what happens on the Bogleheads.org forum, and how the Bogleheads organization has flourished.

Appendix I, "Pearls of Wisdom," is a collection of thoughts and sayings that are near and dear to the hearts (and wallets) of people who participate on the Bogleheads.org forum. Some of the pearls are originals, and others are oldies but goodies.

Appendix II, "Recommended Reading," is a selection from Taylor Larimore's popular "Investment Gems" on the web site. Taylor has read hundreds of investment and financial planning books. These are some of his favorites.