**RETIREMENT SPENDING MODEL**

**INSTRUCTION SHEET**

Bob Carlson of *Retirement Watch* has developed a Microsoft Excel spreadsheet file that assists users in developing a more accurate forecast of their retirement spending and saving. The worksheet can be used by those who are planning for retirement or who already are retired and want to estimate their future needs.

As an Excel spreadsheet, this vehicle allows the user to change any of the elements and see what the results would be under different scenarios and assumptions. This allows a plan to be adjusted as often as one desires and in many different ways.

Some unique elements of this spreadsheet are: a separate inflation factor can be set for each spending item; debt payment and retirement is automatically calculated using Excel formulas; and periodic capital asset purchases (such as new cars) can be integrated into the model.

To use the spreadsheet, begin with the worksheet labeled "PROFILE.” In column G of this spreadsheet, enter the appropriate data for each item labeled in column A. EXCEPTION: Do not enter anything in cell G11. This is a formula that will carry forward from another worksheet. Also do not enter anything in cell G48. This amount will be automatically calculated from an Excel formula.

After completing PROFILE, switch to the worksheet labeled RETIRESPEND.

In RETIRESPEND, enter the appropriate data in columns F, G, H, and I.

Column F is the current year's cost of your estimated annual spending for each expense item listed. You can add other expense items in several ways. You can type of a label in column A that you will not need. You can insert a row, provided you copy the formulas for the other columns in that row. Or you can use the blank rows 48-59 to enter your own categories.

Column G is the inflation rate. You can set a different inflation rate for each spending item.

Column H can be a percentage amount. This is the extent to which you estimate spending on an item might decrease as you get older. For example, you might decide that you will travel half as much after age 75. The age at which the reduction in spending occurs is entered on the PROFILE worksheet. You do not have to enter a later years' spending reduction for each item or for any item. This is an optional entry.

Column I is, similarly, a percentage reduction that is estimated to occur on the death of the first spouse. The year when this is estimated to occur is enter on the PROFILE page. Again, you can enter a percentage in as many or as few of the rows as you want.

After completing these columns, the numbers in the rest of columns will be automatically calculated, and they will be recalculated as changed are made.

Finally, turn to the worksheet labeled RETIRECALC. Do not enter anything on this worksheet. This worksheet shows you the results of your entries. You can study this, print it, and compare results from changing different assumptions. You also can save a different spreadsheet file for each set of assumptions you want to make. That would allow you to keep the assumptions and compare them.

Users who are familiar with Excel can generate charts showing their annual spending. You also can create additional worksheets that estimate your sources of income and compare that with the estimated spending.

The spreadsheet is not write-protected in any way. That allows users to adapt the models in any way that suits their needs. It also, however, makes it possible for users to inadvertently change the formulas and links.

IMPORTANT NOTE: This Microsoft Excel file is a free service to *Retirement Watch* subscribers. No support is provided to users. We are interested in hearing from users about their experiences. But we are not able to provide individual technical support to users or to answer specific questions about results. The formulas and other entries in the spreadsheet have been tested and are believed to be reliable. No guarantee, however, is made regarding their accuracy. Users of the spreadsheet do so at their own risk.