The 7 Most Important Equations for Your Retirement: The Fascinating People and Ideas Behind Planning Your Retirement Income

Moshe A. Milevsky
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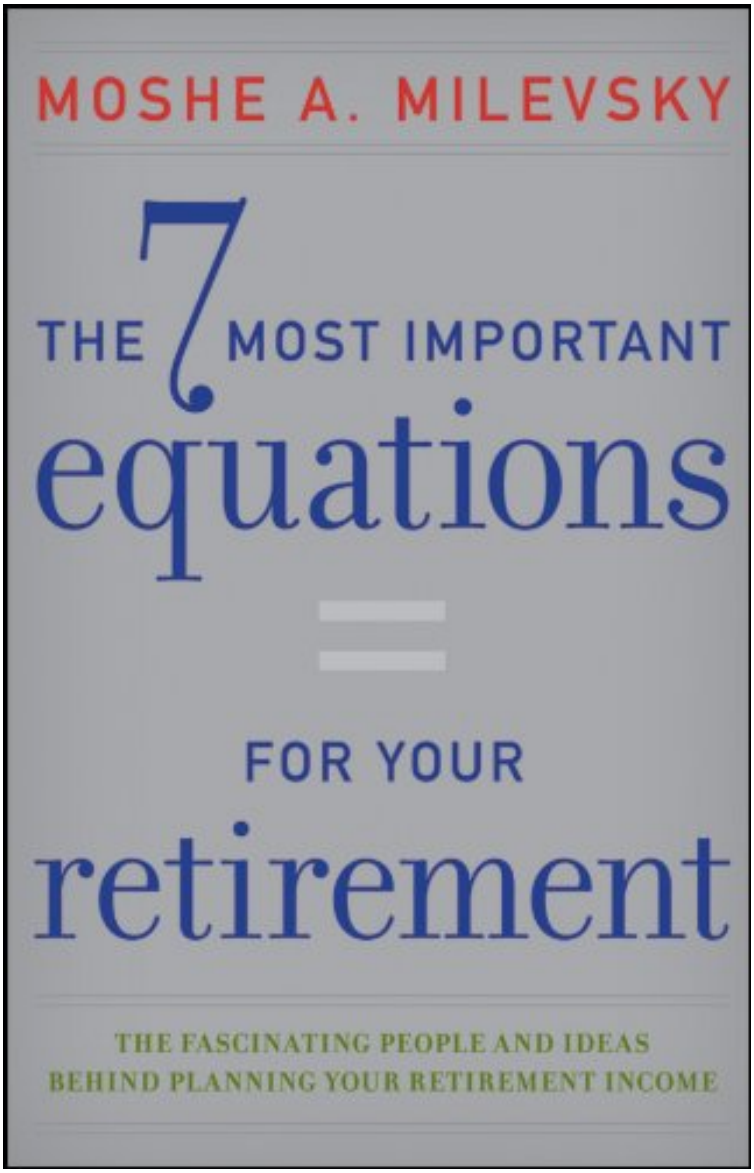

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Moshe A. Milevsky : The 7 Most Important Equations for Your Retirement: The Fascinating People and Ideas Behind Planning Your Retirement Income before purchasing it in order to gage whether or not it would be worth my time, and all praised The 7 Most Important Equations for Your Retirement: The Fascinating People and Ideas

Behind Planning Your Retirement Income:

26 of 27 people found the following review helpful. A playful Milevsky looks at the history of retirement planningBy Robert KirchnerI believe this is an interesting read if you are interested in financial planning, but it is definitely not a how-to-invest for retirement book. Instead it's a playful Milevsky telling the stories of some of the historical figures who helped shape modern retirement planning with their break thru contributions to finance. The seven equations aren't exactly as the seven original thinkers wrote them, but how Milevsky thinks the equations would be written if these visionaries were writing today.The book begins with Fibonacci in Italy 800 years ago introducing present value calculations into financial math. Fibonacci, we also learn, tried to convince those dealing with math calculations in commerce in 13th century Italy to switch from using Roman numerals when doing calculations to the Hindu-Arabic numeral system. Milevsky reports that rivals of Fibonacci did not take kindly to his radical idea of switching from Roman numerals, and had the new number system banned. Even 300 years later in the mid 1500s merchants in Frankfurt, Germany, introduced legislation to have the radical new number system banned.The book then moves to Gompertz in England in the early 1800s and the Gompertz function and the law of mortality. What Gompertz discovered was that the mortality rate for populations increases year by year by an average of about 9% over a wide range of years. So for instance if a population has a 10% chance of dying at age 65, the survivors will have about a 10.9% chance of dying at age 66, and those survivors will have about about 11.8% chance of dying at age 67, and so on and so forth. There is apparently a careful script the Grim Reaper follows. We also learn that at very advanced ages this breaks down. Beyond age 100 you have a chance of surviving that's about 50% every year - life becomes an annual fair coin toss. This implies that the aging process stops at about age 100 and, according to Milevsky, there is some evidence that at age 105 or so the aging process actually reverses a little bit - this possible reverse process even has a name, negative senescence.The book then moves back in time to the astronomer Edmond Halley. Yes the Halley the comet is named after. Halley was the first to come up with an equation to value a pension or an annuity.Next is American economist Irving Fisher and his 1930 equation that is the foundation of life-cycle finance, that is, how to spend our resources over our entire life-cycle. We also learn that Fisher invented the Rolodex and wrote best selling books on how to stay in good health in the early decades of the 20th century.Next up is economist Paul Samuelson and his equation concerning about how much to invest in risky stocks and how much to invest in safe assets. Samuelson argued that if an investment was risky over one year, additional time didn't make it any safer. Time alone is not an excuse to hold more stocks. Time does not diversify risk and time is not on your side.The story about Samuelson is personal for Milevsky. In 1997 a then young Milevsky published a finance paper claiming time was on your side and if investing for the long-term you should invest heavily in stocks. Milevsky was stunned to receive a letter from the then retired Samuelson scolding Milevsky for publishing a paper that was both misguided and erroneous. Receiving a personal scolding from one of the world's greatest economic scholars thoroughly shook up Moshe. It also got him to see the error of his ways. In 2008 Samuelson attended his last economic conference. Milevsky also attended that conference and shook Samuelson's hand and thanked him for pointing out the errors in Moshe's thinking in 1997 that seemed so obvious to the older and wiser Milevsky of 2008.The last two chapters are about Huebner and life insurance, including life insurance in retirement, and the great Russian mathematician Kolmogorav and his differential equation, which can be used as a check to see if your retirement plan is sustainable.Altogether, this is an interesting and fun read, if you really like thinking about retirement planning. But it is definitely not a how-to-book. The playful tone of the writing continues to the very end. The last two pages of the book is a poem about the stories and individuals in the book written by Milevsky's 11 year old daughter.0 of 0 people found the following review helpful. Technical Treatise for Retirement DIYersBy Gregory ViggianoIf you want to do your own retirement planning and are not fazed by algebra, statistics, and calculus, this is the book for you. The author provides equations to go every step of the way from calculating present values to the values of annuities and life insurance policies to the probabilities that your nest egg will sustain a particular level of spending. His descriptions of the way these equations were derived and his glimpses into the lives of the geniuses who developed them are entertaining to read.Those less mathematically inclined will get less out of this tome. However, anyone can get a sense of the various considerations that must go into retirement planning and how they relate to one another. These readers will come to greatly appreciate the complexities of the retirement planning process which should hopefully make them better informed and (hopefully) better consumers of retirement planning advice.In either case, all readers will come to the realization that much of the process depends on their own views of things - how risk averse they are, how much they will need to spend in retirement, how long they will live - in order to make the formulas work. That alone can make this book valuable even for the non-mathematician.0 of 0 people found the following review helpful. Entertaining book breathes life into equationsBy J. ColbertI was already a fan of the author's books and articles on retirement planning, having read several of his earlier works. He has original and interesting thoughts on the subject and is a talented writer and communicator who, like all good teachers, can explain complicated things and make them understandable to non specialists. This book covers some key concepts and equations while revealing the history and also the human element behind them, something too often left out.The book is entertaining and informative. Although, as other reviewers have

noted, it is not a "how-to-invest" book, it will give you a better understanding of how things like annuities can work, whether you can follow the math or not [I have not had a math course in over 40 years and the book actually made me want to brush up on math, but that is not required to enjoy the book].

The 800 years of scientific breakthroughs that will help salvage your retirement plans Physics, Chemistry, Astronomy, Biology; every field has its intellectual giants who made breakthrough discoveries that changed the course of history. What about the topic of retirement planning? Is it a science? Or is retirement income planning just a collection of rules-of-thumb, financial products and sales pitches? In The 7 Most Important Equations for Your Retirement...And the Stories Behind Them Moshe Milevsky argues that twenty first century retirement income planning is indeed a science and has its foundations in the work of great sages who made conceptual and controversial breakthroughs over the last eight centuries. In the book Milevsky highlights the work of seven scholarsmdash;summarized by seven equationsmdash;who shaped all modern retirement calculations. He tells the stories of Leonardo Fibonnaci the Italian businessman; Benjamin Gompertz the gentleman actuary; Edmund Halley the astronomer; Irving Fisher the stock jock; Paul Samuelson the economic guru; Solomon Heubner the insurance and marketing visionary, and Andrey Kolmogorov the Russian mathematical geniusmdash;all giants in their respective fields who collectively laid the foundations for modern retirement income planning. With baby boomers starting to hit retirement age, planning for retirement income has become a hot topic across the country Author Moshe Milevsky is an internationally-respected financial expert with the knowledge you need to assess whether you are ready to retire or not Presents an entertaining, informative narrative approach to financial planning Understanding the ideas behind these seven foundation equationsmdash;which Moshe Milevsky explains in a manner that everyone can appreciatemdash;will help baby boomers better prepare for retirement. This is a book unlike anything you have ever read on retirement planning. Think Suze Orman meets Stephen Hawking. If you ever wondered what the point of all that high school mathematics was, Moshe Milevsky's answer is: So that you can figure out how to retire...while you can still enjoy your money.