News For Older Americans

Four Tips For Better Managing Your Retirement Budget

(NAPSA)—A recent survey by Ameriprise Financial found that 68 percent of retirees with at least $100,000 in assets have not yet taken money out of their savings, beyond what they must withdraw as part of the IRS' required mini-mum distributions from their retirement accounts.

It turns out that the transition from saving money to living off of those assets is much tougher for seniors to navigate than many realized. The Ameriprise survey found that just one in five seniors say they feel "confident" about how to draw down their retirement savings, leaving them fraught with uncertainty about how to manage their budgets.

Helpful Hints

Here are four tips that personal finance experts recommend for tapping that nest egg and making the most of your retirement years:

1. Revisit your monthly expenses. Many people do a good job of tracking their spending in their preretirement years and establishing projections for what they anticipate they will spend in retirement. But it's important to revisit those estimates and use your actual expenditures to fine-tune your average monthly expenses. This will give you a more precise handle on your spending needs and might also identify some areas where you can reduce spending.

2. Consider the bucket approach to income. A common approach to the asset withdrawal phase of retirement is to establish a "bucket strategy." This approach involves breaking your nest egg into three buckets: (1) The Cash Bucket (one to three years of short-term income); (2) The Income Bucket (five to eight years of medium-term income); and (3) The Growth Bucket (10+ years of long-term income). As each of the first two buckets gets low on dollars, you replenish them with assets from the others. This helps you achieve stability in your cash flow and increases peace of mind.

3. Maximize the value of your assets. In addition to savings accounts and retirement accounts, you may have the ability to unlock value from assets that you didn't consider. For example, if you own your home, a reverse mortgage can free up cash for you while you still live there. Many seniors are surprised to learn that one potential asset for generating immediate cash is a life insurance policy. It's your personal property, so you have the right to sell it anytime. When you sell a policy—something called a "life settlement" transaction—you get a cash payment and the purchaser assumes all future premium payments, then receives the death benefit. Candidates for life settlements are typically 70 or older, with a life insurance policy that has a death benefit of at least $100,000.

With proper planning, you may have more cash for your golden years.

4. Keep a backstop in place. Financial advisers often recommend that you keep a cash backstop in place of perhaps 12–18 months' worth of living expenses. This will help cover unexpected costs (the biggest risk factor is health care expenses) and provide you with some reassurance that you can weather a sudden big-ticket item without having to cancel that long-planned vacation. Remember, it's your retirement; pay yourself first.

For seniors who have fine-tuned their expense budget, allocated their income into buckets that ensure cash flow, maximized the value of their everyday assets and put in place a cash backstop, there's no reason to hesitate to draw down your retirement accounts anymore. Just stick to your plan and stay the course.

For seniors who need additional cash flow for retirement, if they own a life insurance policy that they no longer need or can afford, they may be able to boost their retirement savings by selling that policy for immediate cash.

Learn More

For facts about life settlements, visit www.LISA.org or call (888) 891-8383.