

# Top 10 Tips For A Financially Safe Retirement

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A robust and predictable income is a big concern for retirees. They need to know how to generate enough cash to maintain their lifestyle without exposing their assets to too much risk. Social Security is obviously a key source of steady cash for retirees and some also have a pension, an increasingly rare employer-sponsored retirement plan that pays out like clockwork. Here are 10 other ways for retired folks to obtain reliable income while keeping risk in check.

## **1. An Immediate Fixed Annuity**

If you wanted the predictability of Social Security or a pension, you might go to an insurance company for an immediate fixed annuity - a contract for a guaranteed income stream for a specified time. As "immediate" suggests, the contract starts paying you virtually right away, usually the month after purchase and monthly thereafter.

## **2. Systematic Withdrawals**

Since you typically can't get your money back from an annuity once it starts paying out, you might simply put the money in an investment account with a systematic withdrawal plan. Such a plan can be established in nonretirement and retirement accounts with a form instructing the investment company what sum to distribute monthly, quarterly or annually. You keep control of your money but you don't get the guarantee of an annuity.

## **3. Bonds**

Bonds represent debt. So if you buy a bond, it means somebody owes you money and is regularly paying you interest. When assembled into a properly diversified portfolio, the safest bonds like those issued by the federal government, government agencies, and financially sound corporations can be a crucial source of dependable retirement income.

#### **4. Dividend-Paying Stocks**

Unlike bonds, stocks represent ownership and company owners may get regularly-scheduled dividends. Not all companies pay dividends, though, and dividends can be stopped if a company gets into financial trouble. Plus, stock prices sometimes plunge. That's why retirees who buy stocks for income should probably limit their exposure to this strategy and stick with large, very stable companies with a history of paying dividends.

#### **5. Life Insurance**

Life insurance really isn't meant to be a retirement plan, but it can be a welcome additional income source for retirees who find they're a bit short each month. The safest policy for the job is one like whole life or universal life that builds cash value on a schedule. People generally access the cash via loan or periodic withdrawal. The catch: loans and withdrawals reduce the policy death benefit by a like amount.

#### **6. Home Equity**

Relying too heavily on home equity to fund your retirement can be dangerous because home values could drop suddenly and reduce or wipe out your equity. Like life insurance, it might be better to think of home equity more as a backup plan. You can access it by selling your home or taking out some sort of home equity loan.

#### **7. Income Property**

Retired or not, it's nice to get that check each month when you rent out a home or sell one to someone and hold their mortgage (just like a bank). But it's not so fun if the renter or homeowner doesn't pay you. And remember, if you're a landlord, you're on the hook for property taxes and costs for upkeep.

#### **8. Real Estate Investment Trusts (REITs)**

If you like real estate but aren't into being a landlord or mortgage holder, consider investing in REITs - companies that buy, sell and manage commercial properties like malls and apartments. REIT shares, which are purchased directly on securities exchanges or indirectly through mutual funds, pay high monthly or quarterly dividends and are liquid. But they can be volatile like regular stocks, so it's best not to overdo them.

## **9. Savings Account and CD Interest**

When it comes to generating income, there's nothing safer or more reliable. While this strategy obviously isn't viable when CDs and savings accounts pay 2%, 1% or even less, it can be a fine option when interest rates are reasonable.

## **10. Part-Time Employment**

Retirees often want to stay active and involved. Working part-time can be a good way to do that while earning extra income. And the only thing at risk is some time.

## **The Bottom Line**

The nice thing about most of these 10 methods is they can be mixed and matched to suit your personality. However, knowing exactly what to do and getting just the right mix can be a bit complicated, so don't hesitate to consult a qualified financial professional for guidance.