# SAFE TIPS FOR RETIREMENT

*By Jacob Ansel*

> ***Even retirees who do everything right can find themselves coming up short when it comes to affording little luxuries. Retirement is a major life transition that requires changes to income and lifestyle. Everyone wants a comfortable retirement and that means making money you've saved work in a smart way.***

**RETIRING WITH ENOUGH MONEY TO** live comfortably is something we all want. We work entire lives with the goal of retiring with enough money. But how much is enough? What will we be able to do when we retire with the money we've saved? Will the market be stable? Will Social Security still be around? Herein, some resourceful tips for retirement.

If you've ever met with a financial advisor, you know the first question often asked is what's your risk tolerance. Are you a risky, moderate, or safe investor? At different stages in our lives and careers, the answer will vary. In the nascent stage, you should choose riskier investments, hoping to get lucky and hit it big, after all you have 40 years until retirement and plenty of time before you have play it safe. A safe investor isn't necessarily someone who sticks money into a low interest bearing bank account that collects minimal interest. A safe investor understands their investments as well as its upsides and downsides, and knows when the downside is acceptable.

Being safe in retirement is key.

One safe bet is a portfolio with municipal tax-free bonds. Bonds like these pay a fixed rate of interest, are tax-free from federal and state taxes (if you buy one from your state), and are usually quite safe provided you do your homework. If you live in New York, for example, and buy a New York bond, you get a triple tax-free bond. You can never overestimate the value of not paying taxes on earnings. The lower rate of interest you earn on a bond increases in value when you consider no taxes are paid on the interest.

To Roth or not to Roth? That's one of the most difficult decisions to make. Should you save money now with a traditional 401(k) or IRA or save later and pay no tax when the money is withdrawn? It depends on your age and a few other factors. If you're 25 and have just entered the workplace and your job offers a 401(k) with the option of Roth or traditional and you're able to afford your lifestyle and pay your bills then a Roth is the smart choice. You'll have at least 40 years for the money to grow tax-free – not tax deferred, tax-free. When you retire, all withdrawals are tax-free which is a huge value. It lowers your tax rate on all other taxable income and reduces the amount of taxes you'll pay on Social Security income.

On the other hand, if you're in your late 40s and at the peak of earning capacity, a traditional 401(k) or IRA is a better option. Time isn't on your side for the money to grow tax-free and you may want the tax deduction now to reduce taxable income. Whichever you choose, socking money away consistently year to year is key to retiring comfortably.

Passive income is money earned which you don't have to do anything to to earn, like owning rental real estate. Rental properties normally provide a stable steady flow of cash back to the owner and appreciates in value over time. Finding a good management company and tenant is key to keeping a steady flow of cash coming in. While you go through years of working hard making a living, consider putting aside a few bucks each year to buy rental property every third year. Accumulate a thriving collection of rental properties and the income will keep you going during retirement. After you turn 65, consider selling off one property every third year using money from the sale to keep up with your lifestyle or add to your savings.

Saving money for retirement is important, but not overspending is equally critical. When you retire, make a budget. Tally all expected monthly and annual income, interest, dividends, rental income, pension, and Social Security. Then make a list of all fixed expenses – mortgage, real estate taxes, utilities. The difference is the leftover cash for luxury items, vacations, whatever you want to do to enjoy your retirement.

The nice thing about saving for retirement is it's not a one-size-fits-all path. A number of approaches can be mixed and matched to suit your personality and your wallet. Still, finding the right cocktail can be a bit complicated, so make sure you speak to a financial professional for guidance decades before you even consider retirement. ❑

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