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Weekly Financial Article for the Week of July 16, 2007

Retirement Income Shortfalls

What can you do when you find you don't have enough?

If you approach or enter retirement without enough income, you have several potential options. Some involve tightening the belt, others mean changing your mindset.

Reduce big expenses. Do you really need an RV, a trip to Europe, or a home remodel? Could your adult child work to pay some of his or her college costs? Think about it. The money you don't spend could potentially be redirected into retirement savings accounts and tax-deferred investments with the potential for steady, even lifelong income.

Work part-time. You may prefer semi-retirement to retirement: besides the income, you may welcome the opportunity to work meaningfully and stay engaged socially. This is kind of a balancing act: if you leave a full-time job before age 62 and elect to work part-time, you can't earn too much or your Social Security benefits will be reduced.

Don't retire yet. It may sound disappointing to put retirement off, but think twice about walking away from a salary. No one should enter retirement with gnawing financial doubts, and every year that you don't retire means another year to build tax-deferred savings through your IRA, 401(k) or 403(b). It might even increase your SSI benefit.

Rethink your portfolio. In talking with the financial professional you trust, you might find that you need to retire with a portfolio that is not conservative, but more growth-oriented. If you still need to accumulate retirement assets, you may need to accept greater volatility in exchange for greater investment potential.

Restructure your finances. You could get credit cards with lower interest rates, or close out some of the ones you have. Who says you have to have two cars or eat out every other night? There are ways to save all around you, and likely many resources to tap within your existing financial picture.

Quote of the week. "I always wanted to be somebody, but I should have been more specific."
– Lily Tomlin

Riddle of the week. They have not flesh, nor feathers, nor scales, nor bone. Yet they have fingers and thumbs of their own. What are they? (Contact my office or wait for next week's article for the answer.)

Answer to last week's riddle: Your promise.

