

LIVING ON LESS IN RETIREMENT

Everywhere you turn these days, it seems like someone else is issuing a dire warning about the need to save millions to retire comfortably. But the truth is that you can retire on less if you spend less. It's that simple.

While it's vital to save for retirement, making some compromises in your retirement lifestyle and managing your money carefully, you can achieve a full and satisfying retirement at a far lower cost than some would have you believe. It all depends on how you play the retirement game. The following game rules for maximizing your retirement portfolio and minimizing your expenses may make it possible for you to retire on less.

MAXIMIZE YOUR INVESTMENTS

By investing your portfolio wisely and drawing funds from it prudently, you can make the most of your retirement nest egg. Many new retirees assume they need to reduce their exposure to investment risk by putting their nest eggs into bonds and cash, but CPAs say you should keep anywhere from 40 to 60 percent of your retirement savings in equities. Doing so allows your assets to continue to grow during your retirement years and provides you with some protection against inflation. Also, as a retiree, you can continue to build your retirement savings by reinvesting your interest and dividends.

When it becomes necessary for you to tap into your savings, withdraw assets from your taxable accounts before you withdraw assets from your tax-deferred accounts. Doing so will allow the money in your tax-deferred plans, such as 401(k)s or Individual Retirement Accounts, to continue compounding tax-free for as long as possible.

REDUCE HOUSING COSTS

When it comes to reducing spending, it makes sense to start with housing—the biggest monthly outflow for most retirees. Consider whether it makes sense to sell your home, pay off your current mortgage, and buy a smaller home or condo with lower property taxes, energy bills, and maintenance costs. If you're willing to relocate to an area with a lower cost of living and low or no income taxes, the savings can be considerably greater. Before you choose a location based on income tax savings, check what estate taxes would apply to you there.

If retirement is still several years away, do what you can to trim expenses or boost income now so you can pay off your mortgage by retirement. Having

your house fully paid for at the time you retire can go a long way toward making it easier to live on a reduced income. If paying off your mortgage isn't feasible, at least try to pay off any credit card debt you may have.

Be creative. For some people, homesharing might be a good way to reduce housing costs and gain companionship. It takes careful thinking and planning, but it can work. Another option is to agree to perform housekeeping or maintenance services in exchange for free or reduced rent.

If you're "house-rich and cash-poor," a reverse mortgage, which acts like a regular home mortgage in reverse, lets you use the equity in your home as a source of income. Instead of borrowing a sum that you pay back in monthly payments, the lender typically pays you a monthly payment against the equity in your home. The payment is based on your age and the value of your home. The loan balance—the amount you've received plus interest—doesn't have to be repaid until you die, sell the house, or move. Reverse mortgages are complicated; be sure you completely understand the terms before pursuing this option. Remember, you will be depleting the equity you have in your home.

ENJOY LESS EXPENSIVE LEISURE ACTIVITIES

If golf is your game, try finding a good public course and bypass expensive greens fees at a golf club. If you favor tennis or swimming, look for community courts or join the pool at your local YMCA. If you like to travel, travel out of season when others don't. And be sure to take advantage of the many deals that airlines, clubs, hotels, and restaurants offer to retirees.

GO BACK TO WORK

Although, at first, it may sound like an oxymoron, working in retirement is an alternative that more and more retirees are pursuing. The right job can provide welcomed cash and self-fulfillment and, if you find something that you truly enjoy doing, it won't even feel like you're working.

If you're thinking about entering the job market after a career as a homemaker, consider how skills you have developed in raising a family, managing a household, volunteering, or pursuing a hobby might translate into marketable business skills.

REDUCE HEALTHCARE COSTS

Joining a Medicare managed care plan is a less expensive alternative to purchasing Medigap insur-

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ance. Many of these plans provide comprehensive coverage for a small monthly fee and/or a small co-payment for office visits. On the down side, with some plans, your choice of doctors, hospitals, and other providers is limited to those in the plan's network.

If it's payments for prescription drugs that are ruining your budget, you may be able to reduce your costs by asking your doctor to substitute a generic drug. Or, you may be able to use a mail-order pharmacy that charges significantly less for some prescriptions, providing you can plan ahead and allow time for delivery.

While the golden years certainly don't come cheap, CPAs say that with careful planning and the willingness to control your spending in retirement, you can enjoy a satisfying retirement even if you don't have millions in the bank. 

