

5 ways to stretch your savings

Smart Money Magazine

Millions of savers are finding themselves reaching retirement with less money than they'd hoped. That may mean having to spend less, but there are ways to minimize that pain. The strategies here can help someone get more value out of a smaller nest egg.

Wait a bit

Delaying retirement — an option that 31 percent of people older than 50 are considering — can help rescue a consumer's future finances.

For each year a person delays taking Social Security, his or her monthly check from Uncle Sam increases in value by about 8 percent. Someone who has a six-figure income today could expect to collect an extra \$6,600 or so annually by waiting three years to collect.

And boosting your savings during those years can do a lot to make up for shortcomings in a retirement portfolio.

In a recent study, T. Rowe Price found that a person who retired at age 66 instead of 62 could increase retirement income from investments by as much as 40 percent — assuming that person saved 25 percent of his or her income and invested conservatively, with two-fifths of that person's assets in stocks.

Rethink the home

Many retirees opt for a change of scenery by moving to a cheaper location. Sperling's BestPlaces (www.bestplaces.net) offers extensive comparisons of the cost of living in different cities. It shows, for example, that moving from San Francisco to not-too-far-away Sacramento lowers living expenses by about 41 percent. Of course, only one in four baby boomers say they're willing to leave their home base. For those staying local, selling a home and renting can sometimes cut costs, especially for those who invest the proceeds of the home sale, says San Francisco-based wealth adviser Spencer Sherman, author of *The Cure for Money Madness*. In most cases, if a home's annual rent is less than 5 percent of the cost of buying a similar home, renting is

the better deal.

Ride in style, used

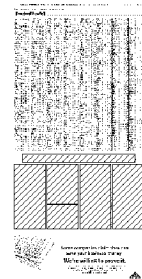
Much as we hate to kick the auto industry when it's down, we'll say it: You don't need a new car to enjoy retirement. A driver who buys a 2005 model Audi A4 sedan instead of a brand-new one, for example, chops more than \$19,000 off the five-year cost of owning the vehicle; most of that comes from savings on the purchase price, but other factors help, too.

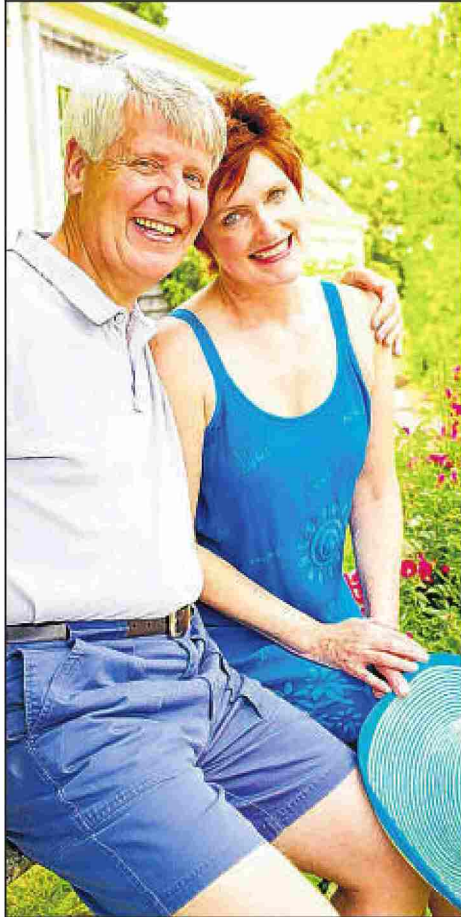
Tap the right cash

Retirees can stretch their dollars by rethinking which money they spend first. One tip: Spend money in regular IRAs before tapping Roth IRAs. Roth withdrawals aren't taxed, so retirees can dodge that expense — and therefore take out less money each year — as they get older. That will be particularly important if U.S. tax rates rise to pay off our growing deficits, as many people expect. (Opinion on this isn't unanimous: Some advisers suggest that current retirees tap their Roth savings first, so that they can take smaller withdrawals now, while the markets are down, and avoid having to sell assets at a loss.)

Postpone some pampering

Households making more than \$70,000 per year spent \$4,600 each on restaurant food in 2007, according to the Bureau of Labor Statistics, and the average couple spends \$3,000 a year on leisure travel. Giving up one or both of those perks for a year or two, and investing the savings, could help patch a hole in a retirement portfolio. Those who do splurge may as well get something in return: Web sites like BillShrink.com can help consumers find credit cards with rewards programs that best fit their spending habits.





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