senior**housing**net

IS IT TOO LATE TO START SAVING FOR RETIREMENT?

Michele Lerner October 10, 2014

If you're in your 50s or 60s and have yet to establish a robust retirement fund, you're not alone—and it's not too late to start saving for retirement.

According to the Employee Benefit Research Institute (EBRI) 2014 Retirement Confidence Survey, 24% of respondents age 55 and older have less than $1,000 saved for retirement—and 34% have less than $100,000 saved.

Older workers who haven't saved at all or who haven't saved enough shouldn't give up on the idea of retiring, however. Financial experts have some suggestions for savings strategies that can make quitting work possible—although perhaps not as quickly as you had hoped.

One common strategy is to continue working, or at least working part-time, until age 70 and to delay accepting Social Security benefits until that time—rather than taking those benefits when first available at age 62. The boost in the amount you can receive each month from Social Security benefits increases substantially the longer you wait.

The best way to get your retirement kick-started late in the game is to prepare a retirement income plan based on your estimated expenses and cash flow from the assets and debts you have now, notes Bill Demaree, owner of Demaree Retirement Services in Indianapolis.

"When you can see things outlined on paper, it is easier to stay focused on what your budget is and what your needs are," he says. "You may realize you don't have as far to go as you thought."

Consulting a fee-only financial advisor or getting advice from your employer's 401(k) provider can help you create an individualized plan to accelerate your retirement savings.

Once you have a stronger sense of what you need to retire, consider these four possible strategies for saving for retirement.

INVEST IN A TAX-FREE RETIREMENT ACCOUNT

Tyler Tran, owner of Tran Financial in Azusa, CA, recommends a Roth IRA to older people who have little saved.

"Since they need to make up for lost time and compounding power, a Roth IRA will give them a little boost since they won't have to pay taxes on their profits," says Tran. "Coupling the tax-free benefit with a small 5% to 10% increase in annual contributions will have a dramatic effect compared to investing in a taxable account."

SELL YOUR HOUSE AND DOWNSIZE

Now that the housing market is regaining value, Tran says those who can downsize should consider selling, particularly if their home is close in value to its previous peak.

He suggests taking the proceeds from the sale and investing for retirement.

SCALE DOWN YOUR LIFESTYLE

"If you're getting a late start to retirement planning, every penny counts," says Demaree. "Scaling back on your expenses is a big part of creating a budget that's going to work for you into retirement. Things like trading in your SUV or more expensive car for a more economical vehicle—so you're saving on payments as well as high gas prices—will be a tremendous cost saver."

Cutting back on eating in restaurants, trimming down your cable TV package and comparing insurance rates to find a lower premium also are good ways to carve out more money to save now while becoming accustomed to spending less.

TAP INTO YOUR HOME EQUITY AND INVEST IT

If you have equity in your home but don't want to move or downsize, Tran suggests borrowing some of the equity with a home equity loan or a cash-out refinance.

"Having money sit in the value of your home is what we call 'dead money'—the only time you will reap any benefit is when you sell the house," says Tran. "Consider taking some equity out to invest and help accelerate your retirement, but be sure to do nothing speculative and only put the money in safe and sound investments."

Indianapolis-based Demaree Retirement Services specializes in safeguarding and growing assets for clients in or approaching retirement, helping to meet their retirement goals. Recognized in Indianapolis as Your Retirement Guy™, Bill Demaree, owner and founder of Demaree Retirement Services, has been helping individuals, couples and families transition from the accumulation phase of retirement to wealth preservation for more than 28 years.

For more information, visit www.demareeretirementservices.com.