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When You Need Cash In Retirement

BRENTWOOD, Tenn. – Last year’s stock market declines took their toll on many Americans, but those in retirement were among the most affected. After saving diligently, most people probably believed they could now safely enjoy their post-career years, but market losses that ate into their portfolios put an end to many of those assumptions. If your nest egg took a hit, the Tennessee Society of CPAs offers some advice on the best ways to stretch your dollar in retirement.

Cut Back To Necessities

If you are experiencing serious financial problems, it’s time to consider smart spending cuts. Of course, there are many steps that apply to any consumer, including skipping takeout or restaurant meals, carpooling and forgoing vacations for the time being. In addition, many people who are in or approaching retirement will purchase a second home in a dream location. It may be a good idea to look into selling that property or renting it to generate cash. Downsizing to a smaller house will also cut down on expenses, and could require less time and money spent on maintenance than a larger residence would. A downsized residence may even be better designed to deal with physical and mobility challenges a retiree might encounter in the future. Finally, make sure you take advantage of the many senior discounts available on everything ranging from transit fares to movie tickets.

Adjust To Your New Situation

Despite the bad news of any financial losses you may have suffered, the good news is that your expenses may drop because of your change in position. For example, your tax position may have altered if your income or assets have declined, so consult with a qualified adviser, such as a CPA, to determine if you should be paying less in taxes. If you have children in college, find out whether your changed circumstances qualify you for greater financial aid or better deals on student loans. By taking such steps, you may be able to cut fixed costs without making drastic changes to your lifestyle.

Consider the Equity in Your Home

Tapping into your home's equity can be a great source of cash, especially if you have lived in your house for many years and do not have a large existing mortgage. If you have gone into debt because of a financial reversal, a home equity loan will likely carry a lower interest rate than credit card balances and the interest may be tax deductible. Shop around to find a second mortgage or home equity line with the lowest interest rates and fees. But be sure not to squander your home equity unless you truly need it or plan to use it for a worthwhile purpose. Your CPA can help you determine when using home equity is right.

Branch Out In a New Direction

As the American population gets older, more and more people in their 60s and older are staying in the workforce. In fact, by 2016, workers age 65 and over are expected to account for 6.1 percent of the total labor force, up from 3.6 percent in 2006, according to the U.S. Bureau of Labor Statistics. If money is tight, it may be time to join the many Americans of traditional retirement age who continue to work full or part time. It's a

great way to supplement your income and you might find a new interest or social circle through your new job.

Reconsider Your Money Management Choices

No matter how your current cash crisis occurred, you'll want to take steps to ensure it doesn't happen again. Now's a good time to create a new budget and research investment options to see if you are on the best financial footing.

About Money Management

Money Management is a column on personal finance that is a joint effort of the AICPA and the Tennessee Society of CPAs, as part of the profession's nationwide 360 Degrees of Financial Literacy program.

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