Marc A. Hebert's 'Money $ense': Suggestions for a financially safe retirement

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IF YOU ARE retired, the possibility of running out of money may be one of your biggest concerns. In the finance world this is called longevity risk, and, with the uncertainty of the economy and the financial markets, it is on many retirees' minds. Although not often considered, the reverse situation can also be an issue. Getting to the end of life with a big pile of money and lots of unfilled dreams isn't pleasant either.

With these concerns, here are our suggestions for staying safely retired and enjoying it:

Be careful setting the withdrawal rate: A withdrawal rate refers to an amount of money expressed as a percentage that is taken from a portfolio every year. A safe withdrawal rate is the amount of money taken out every year (adjusted for inflation) that will most likely leave an appropriate amount of money at the end of a retiree's lifespan. It is the rate that gives you a reasonable amount of confidence in providing the right amount of money to last your retirement years. This means having money for fun but not so much fun as to run out of money before you pass away.

Spend less during difficult times: If the economy is in trouble and your portfolio is dropping, consider spending more conservatively. Lower your withdrawal rate. Find ways to handle the shortfall. Is part-time work or trimming your budget possible?

Establish an emergency reserve: Avoid taking unplanned money from your portfolio by establishing an emergency reserve. This account becomes the place to go for unplanned repairs or unexpected out-of-pocket medical expenses.

In establishing a reserve, a little saved consistently can go a long way toward building a reserve for when you need it most.

Consider inflation: Not taking into account the impact of inflation over time can be devastating to a portfolio. Consider the postage stamp. A single stamp now costs 55 cents, but back in August of 1958 one cost only four cents. This is just one example. Now consider the effect inflation can have over all of the items and services you purchase over your lifetime.

Develop a withdrawal policy: A withdrawal policy informs not only how much you take out (back to the safe withdrawal rate) but also when and under what conditions. It is a set of rules you stick with no matter what happens.

For example, if the portfolio loses money in a given year, you don't increase your withdrawal for inflation until the next year. Perhaps you reduce the withdrawal by 10%. Developing this type of plan is a way to deal with your portfolio's ups and downs on a less emotional basis.

Be realistic: Can you really reduce your spending by that much? Have you factored in health care costs? Is your portfolio really going to earn that much? Do you need to review your risk tolerance? Whatever you decide to spend, make certain it is realistic and reflects your lifestyle.

Minimize taxes: If you have both tax-deferred and after-tax savings, consider which accounts to draw your income from that will have the least tax effect over time. Perhaps taking more money from a retirement plan account while you are in a low tax bracket is a good decision — just be sure to put the money that you didn't originally plan to spend in your after-tax account for later use.

Do some research: There are an abundance of studies and articles on retirement that could really help you plan yours.

Get professional help: Have a retirement plan prepared by a professional, such as a certified financial planner, and monitor the results.

As you can see, it takes a bit of work to stay retired, but it is well worth the effort for the peace of mind it can bring.

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