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Golden living: How to maintain your financial independence through retirement

By: Rachel Koning Beals, U.S. News & World Report

Money can be a tough conversation across generations. That talk can be even more delicate as longer life spans and market volatility strain retirement and extended-care planning.

Senior citizens and the baby boomers who need more money to fund retirement than past generations are worried about being financial burdens on their families. A 2010 survey of 2,151 adults conducted by Age Wave and Genworth Financial found that, on average, respondents would ideally like to live to age 92, believe maintaining good health is twice as important as any other factor that comes with a long life, and are more than five times more worried about being a burden on their family than dying.

Crucial family money talks don't have to be an agitated debate, just a fact-finding discovery between adult kids and their parents. Ideally, the discussion takes place as both parties are fully engaged in their respective savings and investing pursuits — and long before any financial or medical crisis pushes everyone into emergency action. The goal is to reveal expectations about which generation will cover the other and in what circumstance.

"Baby boomers are getting better about it, but for the World War II and Korean Conflict generation, they were almost pathological with regard to avoiding talking about money. Families have had to change that," said Linda Leitz, certified financial planner for Pinnacle Financial Concepts in Colorado Springs, Colo. "The reality is that most of today's seniors will live long enough to reach a point where they can't live independently, and thus there is planning involved."

According to U.S. Department of Health and Human Services data, roughly 70 percent of adults 65 and older will need some type of long-term care during their lifetime. The average 65-year-old couple may spend $200,000 on health care in retirement. If one of them heads to a nursing home, that bill could top $500,000.

Costs are greatly outstripping incomes, putting added pressure on savings and investing. Genworth's 2011 Cost of Care Survey reveals that the median annual cost of care in a private nursing home room is at $77,745 nationally, up from $60,225 in 2005.

Are there steps to ensure you'll remain financially independent well into your golden years?
Hard-working portfolio. One of the first myths financial planners like to debunk is the notion that you have to go super-conservative with your portfolio nearing and in retirement. More conservative than earlier? Yes. Ultraconservative? No. These days, most planners advise clients to remain in diverse assets that offer a fighting chance against inflation. To better take on a lengthy retirement funding challenge, separate your portfolio into the "lifestyle" category (the necessities) and invest this portion in tax-advantaged and lower-risk options, such as 401(k)s, bonds, annuities and nontraded real estate investments, said Erin Botsford, CEO of financial planning firm Botsford Group. Then dedicate a portion of your portfolio to "hybrid" investing — budgeting for what you plan to spend each year on leisure, perhaps travel. This is the money you can afford to keep in slightly riskier and potentially better-performing assets, which might include master limited partnerships (MLPs), dividend-paying stocks, bonds and a variety of alternative investments. Botsford suggests that you consider keeping a sliver of your holdings in daring growth assets, such as commodity ETFs, and keep emergency funds in cash (such as checking or savings accounts).