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Consumer Reports Money Adviser Offers Five Financial Strategies to Avoid Running Out of Money During Retirement

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YONKERS, N.Y., June 20 /U.S. Newswire/ -- For those who think they're sitting pretty on their nest eggs, the July issue of Consumer Reports Money Adviser (CRMA) warns not to get too comfortable. Retirees may not have enough money to support themselves in their 80s or 90s if inflation ravages their portfolios. It's important to keep assets growing and to generate income that keeps pace with inflation. CRMA offers retirees five ways to stretch their bucks in their golden years. Also featured in the July issue are CRMA's tips for finding a good contractor.

Consumers can visit CRMA on the Web at <http://www.ConsumerReportsMoneyAdviser.org> for free highlights about these stories featured in the July issue.

Five Ways to Make Your Nest Egg Last

The experts at CRMA say that the surest way to make assets last is to avoid tapping them for as long as possible and to rely instead on earned income from a part-time job to cover some of your living costs. But many seniors may not be able or willing to work. The July issue of CRMA offers tips on how to avoid running out of money.

1. **Pace Your Withdrawals.** Avoid the urge to splurge. "For money to last, retirees will have to find a withdrawal rate that is sufficient to sustain an acceptable living standard while minimizing the risk that you will drain your portfolio dry before you die," says Lisa Lee Freeman, deputy editor of CRMA. "A broadly accepted guideline is sipping from your investment at a rate of three to four percent a year and adjusting each year's withdrawal to restore purchasing power lost to inflation."

2. **Buy a Steady Paycheck.** To get a steady stream of income over and above Social Security, retirees may want to consider an immediate annuity, an insurance contract that, in effect, protects against living too long. Unlike high-cost investments in deferred variable annuities, immediate annuities begin making fixed monthly payments as soon as one makes the purchase. Those considering an immediate annuity should buy only from an issuer with a top rating from Moody's, Standard & Poor's or A.M. Best; and stick to low or no-load insurers and mutual-fund companies like USAA, Vanguard, and TIAA-REF. CRMA warns that immediate annuities do have significant drawbacks. For one, many do not provide protection against inflation. Also, payments under a lifetime annuity will typically end as soon as the purchaser dies.

3. **Punch Up Your Portfolio.** With a solid lifelong foundation of regular monthly income provided by Social Security and a defined-benefit pension or immediate annuities, retirees can afford to keep a higher proportion of their 401(k) savings and IRA assets invested in broadly diversified, low-cost stock mutual funds without having to worry about making ends meet.

4. **Turn Your Home into Cash.** The equity accumulated in a home might be a retiree's biggest asset. Today's 65-plussers can sell and relocate to a smaller place nearby or a lower-cost part of the country, and use the net profits from the sale to buy in cash. Another option is a Home Equity Conversion, a type of "reverse mortgage."

5. **Harvest Your Assets.** With Social Security benefits, 401(k) plans, a conventional IRA, a Roth IRA, an employer-paid defined benefit pension, and annuities, retirees have a crop of assets that will mature in their own time. "If your assets are going to sustain

you for the rest of your life, you have to harvest each asset at its peak and spend sensibly," says Freeman.

Tips for Finding a Good Contractor

More than 50 million home-improvement projects were completed in the U.S. in 2003, and pros were used in 60 percent of the projects. But hiring a contractor can be one of the most stressful parts of the home improvement process. Contractors consistently rank at or near the top of complaints in consumer surveys. Aside from the usual cost overruns and delays, consumers may also run into scam artists. The experts at CRMA offer consumers tips to increase the odds of having a satisfying home-improvement experience.

-- Do Your Own Prep Work. Before contacting contractors, map out the scope of the project. Attend open houses, check out neighbors' recent remodeling projects, and review home magazines and books for ideas. "The more specifics you have, the easier it will be to present your project to a contractor and get an accurate estimate," says Freeman.

-- Check Out Your Choices. It's much easier to prevent problems with a bad contractor than to fix them. Consumers should get the names, street addresses (no P.O. boxes), and phone numbers (not just cell phones) of at least three contractors, and ask each one for an estimate and several recent references. Do not do business with a contractor who can't provide references.

-- Get the Details in Writing. Consumers should insist on a written contract with all parties' names and contact information as well as the contractor's license numbers. It should also contain a detailed description of the project. In addition, the project should stipulate who is responsible for getting permits and inspections, and outline how changes in work orders will be handled and the notice required for cancellation.

-- Watch Out for Liens. "Mechanics lien" or "construction lien" laws grant unpaid subcontractors and suppliers the right to make a legal claim against property that has been improved by their labor or material. To protect against such liens, homeowners can pay subcontractors and suppliers directly or get lien releases from contractors with each payment.

-- Unhappy? You Have Rights. Recovering money from unlicensed or unscrupulous contractors is nearly impossible. If you get burned, don't wait too long before contacting authorities.

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