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Retirees Need An Emergency Fund

Courtesy of Craig Willeke, LUTCF, CLTC

You may think of an emergency fund as the stash of cash to keep in the event of a job loss. But retirees may need emergency funds too.

Your careful planning can be upended in retirement by unanticipated costs, such as a broken furnace, a leaky roof or thousands of dollars in dental work, which traditional Medicare doesn't cover.

Even natural disasters could sideswipe you. There are things that are going to happen that you just can't foresee.

If all your money is tied up in tax-deferred retirement accounts, you'll get hit with a tax bill if you dig into that money for an emergency. But creating an emergency fund takes some planning. You don't want to set aside too much cash and lose out on the opportunity to keep it


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invested for the long term.

To build an emergency fund, consider using tax refunds, bonuses if you are still working, or extra money from a part-time job. Also, depending on your current cash allocation, you might use required minimum distributions to add to your emergency fund.

When trying to figure out how much to set aside for emergency use, consider replacement costs of big-ticket items. 



Credit card issuers are cutting users' credit, warns credit expert John Ulzheimer. Capital One Financial and Discover Financial say that they are reducing credit lines – and in some cases closing inactive cards – because of uncertainty about how long the US economy will stay strong before a downturn makes it harder for card users to pay bills. Other issuers are likely to follow suit. If you want to discourage card issuers from reducing your credit, be sure to use every credit card that you have from time to time.

Source: JohnUlzheimer.com

Best ways to share miles and points: For airline miles, book a ticket in the recipients' name—most airlines allow this and do not charge extra fees for doing it. For hotels, which usually do not allow points to be used to book a room for someone else, do a points transfer. Many chains allow free transfers to another member or pooling of points with multiple other members at no extra charge. Check with the airlines and hotels—rules vary and may change anytime.

Source: Kiplinger's Personal Finance

"Wealth is the slave of a wise man. The master of a fool."

— Seneca
(5 BC - 65 AD)



Retire In Sync With Your Spouse

By Janet Bodnar, Kiplinger's Personal Finance

In his first year of retirement, Michael Hagedorn is struggling to reconcile the goals of his wife, Caranell, who has her sights set on travel—encouraged by HGTV and the Travel Channel—with his desire for “a little breathing room” to get their finances settled.

“Perhaps if I canceled our cable subscription, I could better manage both expectations,” he quips.

Spending more time with a spouse or partner can be one of the high points of retirement. In a 2019 study by Age Wave and Bank of America Merrill Lynch, 48 percent of retirees said their marriage has become more fulfilling, compared with 11 percent who said it is more contentious.

Still, each person has his or her own vision of retirement, and they're not always compatible. “Retirement is usually portrayed as a solo project, but it's not,” says Ken Dychtwald, CEO of Age Wave, a think tank focused on aging. For example, the Age Wave/Merrill Lynch study in 2018 found that two-thirds of retirees who have a spouse or partner haven't discussed or agreed on how much leisure time to spend together, and two-thirds haven't budgeted for travel.

Sometimes the source of friction is simply spending more time together—especially if one spouse, often the wife, has already established a busy at-home routine. “My wife told me, ‘I married you for better or worse, but not from 9 to 5,’” writes reader Paul Wallick, who joined a gym, volunteers at church and is a part-time consultant, among other activities.

Some couples have come up with creative solutions. “Spouses don't have to do everything together, and my wife and I take separate trips,” writes Thomas King. “But the three weeks I was gone on a trip to New Zealand was too long to be apart.” To avoid being underfoot, Tom Morris adjusted his retirement activities to mimic his previous work schedule—leaving the house early in the morning, taking care of chores and projects, exercising and returning home as if he were ending his workday. The situation is trickier if, as in the Hagedorns' case, you disagree about fundamental roles or goals. It's critical to talk with your spouse before you retire to pinpoint and address any conflicts.

“Each of you should visualize what a day in retirement might look like,” says Judith Ward, senior financial planner at T. Rowe Price. “Ask yourself a series of questions: When, where, and why do you want to retire? What will you be doing, and with whom?” Write down your answers separately and then compare them. The key, too, is to be flexible enough to adjust to changing circumstances, as Michael and Caranell Hagedorn have discovered.

“It's likely best that Caranell pushes me to do more, and I try to get her to consider more of the costs,” writes Michael. “We have attained a certain balance that seems to work for us both.”

Sinking Money Into Real Estate Not Always A Smart Move

By Sandra Block, *Kiplinger's Personal Finance*

Housing touches everyone, and given that real estate and the excess amount of borrowing and lending were the triggers for the financial crisis and the Great Recession, it's understandable that we are focused on its recovery.

What do you do, buy or rent?

Be careful about real estate. If you're buying your primary residence, can you really afford to



take on a mortgage and the other costs of owning a property? Maybe renting is the better option. If you're thinking of buying a vacation home, you're years away from retirement, and you're not independently wealthy, it will almost always make sense to hold off on buying, because you'll have more liquidity that way, and therefore less exposure to risk as well as more options.

You're not "throwing money out the window" by renting. Rather, you're buying flexibility.

Every rent check you write purchases you the freedom to grasp opportunities as they arise, or the ability to adjust to unforeseen setbacks that smack you in the face. Renting might not be nearly as sexy as buying, especially for older generations steeped in notions of the "joys of real estate" or "buying a piece of the American dream."

But if your goal is a safe and secure financial future as well as a life you can actually enjoy, renting might be the way to go.

Every month, we plow vast amounts of money into mortgages, as well as upkeep, reasoning that we're building equity and saving for our future. When the mortgage term is up and the home is paid off, we'll have all that equity to fund our retirements. Yeah, but what if when you retire housing prices are 20 percent lower than what you anticipated? What then?

Because we've been putting our money into real estate in recent decades, we've put less of it into retirement savings accounts, where we can better monitor and manage the risk. The Economic Policy Institute in 2018 has reported that middle-aged couples (ages 56-61) have accumulated average retirement savings of just \$163,577.

As Baby Boomers age, we'll have to figure out as a society how to support a generation of people who have little or no retirement savings, inadequate equity in their homes, and in the absence of pensions, only Social Security to fall back on—all because we've emphasized home ownership so much.

You'd think that smart people everywhere would see past the myth and take a more measured approach to home ownership.

But we don't—the myth is entrenched, among people at all ends of the social spectrum.

It also reaches down into our everyday lives, giving rise to a number of related beliefs that influence the brightest among us to invest in real estate even when we shouldn't.



"Don't worry about the future. I swapped your retirement fund for 5 cords of firewood, some vegetable seeds and a brooding hen."

Beware scam using Apple Touch ID on iPhones, warns Steven JJ Weisman, Esq. How the scam works: Certain apps downloaded from the Apple App Store ask for fingerprint ID to grant you access to some features. But when you touch the fingerprint reader, you automatically authorize an unexpected payment that you likely don't notice. Some victims were charged as much as \$120. Apple has removed the rogue apps *Calories Tracker*, *Fitness Balance* and *Heart Rate Measurement*, but others could show up. *Self-defense:* Use Touch ID only with familiar apps you trust...and watch the screen for an unexpected payment.

Source: Scamicide.com

Did you know that most Americans earned no more in 2018 than they did in 2017? More than 60% said that they did not get a raise at their job or start a better-paying one during the year. But 91% of those surveyed said that they have as much confidence or more confidence in the job market now than they did one year ago.

Source: Bankrate.com

"Make all you can, save all you can, give all you can."

— John Wesley
(1703 - 1791)

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When It Pays To Buy Travel Insurance

By Kimberly Lankford, Kiplinger's Personal Finance

Q: *I'm going on vacation to the Caribbean this summer. Is it a good idea to buy travel insurance? What should I look for in a policy?*

A: Travel insurance can be valuable if you would lose a lot of money in nonrefundable deposits if you had to cancel your trip. More important, it can pay for medical evacuation—which is expensive and usually isn't covered by health insurance—if you are sick or injured while traveling and need to be transported.

Travel policies often cost 4 percent to 10 percent of your total trip cost, says Steven Benna, of Squaremouth.com, where you can compare policies. Most policies will reimburse you for nonrefundable deposits if you must cancel or interrupt your trip because of weather or because you or a family member becomes ill. (Most policies won't cover preexisting health conditions that were diagnosed or had changed typically within



60 to 180 days before you bought the insurance.)

You will be traveling to the Caribbean during hurricane season, so review the storm coverage. Many policies pay if flights are grounded for 24 hours or if the hotel is uninhabitable. If you want to play it safer, you can find insurers that will reimburse you if a hurricane warning is issued within 24 or 48 hours of your trip, says Julie Loffredi, of InsureMyTrip.com, which allows you to compare policies.

Squaremouth recommends buying \$100,000 in medical evacuation coverage for international trips, or \$250,000 if you're going on a cruise or to a remote spot. 