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Smart Money Moves to Make by Age 50

5 useful tips to get your personal finances in order

By Lynnette Khalfani-Cox

If you've been procrastinating on money matters, now is the take-control moment for you and your finances. Below are five smart financial moves to help keep your next 50 years financially sound

1. Speed up paying down debt.

You don't want to be dealing with mounds of debt as you work those last few years before retiring. Calculate your current debt load and start paying off larger debts as soon as you can. This includes any car loans, mortgages, large credit card balances and personal loans that you've been carrying around for a while.

Most retirees who own their homes free and clear will tell you that living without a mortgage is financially liberating.

The issue of the tax benefits associated with a mortgage usually comes up when people are faced with the decision of paying that loan off ahead of schedule. "I've always said not to let the tax tail wag the dog," says Aric Jacobson, a certified financial planner in the San Diego, Calif., area. "There certainly can be a big incentive to keep that nice mortgage interest deduction going. But we are talking about debt. The higher the interest rate, the stronger the argument for paying the debt off sooner."

Jacobson says that if you can enter retirement without a big mortgage payment, you can most likely live on a lot less. If you can't eliminate your mortgage altogether, consider slashing your housing costs by refinancing your home loan at a lower interest rate. If you do choose to refinance, "You don't want to refinance into a term longer than your current mortgage," Jacobson says.

2. Look at your life insurance.

If you don't have life insurance, or think you may be underinsured, now is a good time to consider your and your family's life insurance needs. The American Council of Life Insurers recommends having life insurance coverage of seven to 10 times your salary. So if you're earning $50,000 annually, you'd want a policy that would pay your beneficiaries between $350,000 and $500,000.

Again, this is a broad rule of thumb and life insurance experts caution that your own individual needs may vary greatly based on such factors as:

- *the amount of debt you would want paid off.*
- *how much money (if any) you'd want to leave your spouse, children or relatives.*
- *the number of charitable contributions you'd like to make upon your death.*

"The need for life insurance doesn't end when someone hits a magic age," says Dave Simbro, senior vice president at Northwestern Mutual Life Insurance. "People often find when they reach their 50s, right when their term insurance might be expiring, that their life insurance needs actually increase."

One consideration could be converting your term policy into permanent life insurance. Whole life or permanent insurance policies, while significantly more expensive than term insurance, offer the flexibility of tapping into the policy's cash value while you're still alive.

You can borrow against the cash value of the policy's death benefit, or just elect to take money from the policy, and lessen the death benefit payout. But be careful if you make that move. "Be aware that if you're depleting your cash value [in a whole life policy], and it's not considered a loan, that's going to be a taxable event," says certified estate planner Jean Dorrell.

One unique benefit of a term life policy that is convertible to permanent insurance is that it lets you retain your current health status through the life of the policy. According to Simbro, this means your term policy allows you to change the policy to permanent insurance "without going through underwriting again." That means no new health exam.

That's critical, because the younger you are when you buy permanent insurance, the cheaper it is.

Senior Financial Security, Inc.

3. Lock in long-term care coverage.

"Buying long-term care while you're healthy and locking in your insurability is way easier at age 50 than, say, age 75," Simbro says.

Waiting to purchase long-term care insurance can mean substantially higher premiums. Research from Northwestern Mutual shows that a man or woman buying a long-term care policy at age 50 could pay an annual premium of $3,302. But delaying the purchase for a decade would wind up costing the same person $6,678 annually — more than double the age 50 rate. Waiting to buy at age 70 would result in an annual premium of $17,760, according to Northwestern's data.

And don't mistakenly believe, as many people do, that long-term care coverage is only for 80-year-olds. In reality, about 40 percent of Americans receiving long-term care benefits are between the ages of 18 and 64, according to the Department of Health and Human Services.

But what if you still think you can't afford long-term care insurance?

Simbro suggests tapping into the "living benefits" that your permanent life insurance offers.

"You can annuitize permanent life insurance," he says, using the cash value as a way to generate an annual retirement income stream. You can also use either the cash value or the dividends from life insurance to directly fund your long-term care premiums, Simbro says.

As with life insurance, long-term care coverage can vary greatly based on where you live, family history and how long you want the coverage to last.

"Don't presume there's a one-size-fits-all amount that everyone should have," Simbro says.

4. Better diversify your portfolio.

At this phase of your life, you don't want financial mistakes — and particularly investment blunders — to derail your retirement game plan. So make sure you're not investing all of your savings in just a single account or investment type.

If you have investments, review them now — or have a money manager do it — to make sure you have a truly diversified portfolio. After age 50, you also want to reap the greatest possible return from your investments, as these may be your highest income-earning years and the time when you have the most potential to sock away money.

Ahead of retirement, the goal is to start adjusting your investment risk a bit, while maintaining the opportunity for steady growth in the upcoming years.

"As you get closer to retirement, I would argue that diversification becomes even more important," says Dan Keady, a certified financial planner in Charlotte, N.C., and director of financial planning for the financial services firm TIAA-CREF. He notes that pre-retirees have a shorter window to retirement and that they often forget to consider how much of their portfolio they will have to draw down annually once they stop working.

So having the right mix of stocks, bonds and cash is essential — as is avoiding duplication in your investments.

Keady says one way to ensure that you don't have so-called portfolio overlap is to pay attention to multiple factors. Look closely at the investment class you're buying (stocks, bonds, commodities, cash, etc.), the industry or sector in which an investment is held (i.e. banking, pharmaceuticals, retail, and so on), as well as investment style (growth vs. value).

As for maintaining a healthy asset allocation, or mix of investments, that's where things get a lot trickier.

In years past, investment professionals offered general rules of thumb like "take the number 100 and subtract your age." The resulting number would suggest how much of your portfolio should be invested in stocks.

These days, though, most financial planners hesitate to offer such broad guidelines, suggesting that you're far better off sitting down with an adviser who can assess your overall financial standing plus your goals, needs, risk tolerance and time horizon.

5. Set up a will or a trust. Now!

Admit it: You've procrastinated about creating a will for far too long, telling yourself you'd get around to it "someday." Well, someday is now! It's time to create or update your last will and testament.

Here are three options: pay a lawyer to create a will, use online software such as that offered at places like Legalzoom.com or Nolo.com, or use store-bought forms that contain preprinted wills.

Unfortunately, nearly half of all of Americans over the age of 50 don't have a basic will, according to FindLaw.com.

Getting a professional in your corner can get you on the right track and help ensure that you take care of these essential financial tasks. To find out which professional can best assist you, whether it's an attorney, life insurance specialist, investment adviser or someone else, try a site called DesignationCheck.com.

The site provides information on what each designation behind an adviser's name really means. It also spells out what course work, exams, continuing education, qualifications and code of ethics a professional had to pass or agree to live by in order to obtain a given designation.