Previous Page

Save Your Retirement From Certain Doom

http://www.fool.com/retirement/general/2010/08/11/save-your-retirement-from-certain-doom.aspx

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August 11, 2010

For decades, millions of people have counted on Social Security as their primary source of income during retirement. But as economic conditions continue to deteriorate, the prospects for Social Security are looking increasingly iffy -- and counting on it to provide the income you depend on after you retire could be the worst financial move you ever make.

Is the end near?
Last week, the Social Security Administration released its annual update on the status of the Social Security and Medicare programs. The news was mixed, as the report gave a favorable update of Medicare's solvency. Attributing gains to changes resulting from health-care legislation passed earlier this year, Medicare is now expected to remain solvent until 2029, as opposed to the 2017 date that was predicted last year.

Unfortunately, the news for Social Security is more dire. The amount paid in Social Security benefits is expected to be greater this year than what the program receives from payroll taxes for the first time since 1983. The recession has pushed payroll figures down, resulting in lower tax revenue. By 2037, the program's trust fund will be exhausted, and taxes will only cover around 75% of scheduled benefits.

The upshot of this news is that if you're counting on Social Security to support you, you may well be disappointed. The smart thing to do is to plan for what you'll do if you end up getting less from Social Security than you'd hoped.

Boost your income
Along those lines, there are several things you can do to generate income. One is to plan to use annuity products to replace monthly income that potential Social Security cuts may eliminate at some point in the future. Immediate annuities can provide a predictable stream of income for the rest of your life. Purchased from insurance companies, immediate annuities transform a fixed sum of money into monthly payments based on your life expectancy. With both private pensions and Social Security on shaky ground, annuities may prove the only dependable source of guaranteed monthly income.

In addition, you'll want to consider going beyond ultra-safe investments. Seniors and those near retirement often depend on risk-free investments such as Treasury bonds and insured bank CDs to provide income after they retire. But rates are too low on those assets to provide enough income for most retirees.

Like it or not, you need to seek out higher returns. Consider a combination of these strategies:

- **Dividend stocks.** With rates on fixed-income investments in the basement, dividend-paying stocks have some of the best payouts around. For instance, the Fool highlighted **Annaly Capital** (NYSE: NLY) yesterday for its double-digit yield and success at turning the federal government's support of the mortgage-backed securities market into profits for shareholders. But even if you want blue-chip-quality companies, **Altria Group** (NYSE: MO) and **Verizon** (NYSE: VZ) combine 6%-plus yields with modest growth prospects going forward, and each has a strong track record of maintaining its payout even during tough times.
- **Growth stocks.** Conservative investors are often told they need to get out of volatile stocks. But even for those in or near retirement, there's still a place for a modest helping of growth stocks in your portfolio. **Netflix** (Nasdaq: NFLX), for instance, has proven surprisingly resilient during the recession, as budget-conscious consumers look for cheap entertainment options. Meanwhile, few have heard of **Ebix** (Nasdaq: EBIX), the leading cloud-computing solution for

the insurance industry, but it has been delivering record profits and huge growth.

- **Higher-yielding bonds.** Corporate bonds are potentially riskier than Treasuries, but they offer greater rewards for those willing to take the time to ferret out good deals. You can buy company-specific bonds through most brokerage companies, or the ETFs **SPDR Barclays Capital High-Yield Bond** (NYSE: JNK) and **iShares iBoxx $ Investment Grade Corporate Bond** (NYSE: LQD) will give you broad exposure to speculative high-yield and higher-quality corporate bonds, respectively.

It's important to understand that these strategies can backfire. If another bear market hits stocks, then even the 0% to 1% yields that short-term Treasuries are paying right now would look attractive. Higher rates could send the value of corporate bonds spiraling downward.

But used prudently, these strategies can help you gain the traction you need to defend yourself against weakness in the Social Security system. The sooner you take steps to shore up your own assets, the less you need to be concerned about whether government checks will be as big as you're hoping when you need them.

Even retirees need great stocks. Let Jordan DiPietro point the way toward five dividend stocks that are making retirees rich.

Previous Page