Rodger on Retirement

There is no perfect investment in retirement

In practicing retirement planning for many years, I have come across many people with a variety of opinions on what type of assets should be owned heading into their retirement years. The range of opinions spans the spectrum from "I only invest in income-producing real estate" to "I only invest in U.S. Treasuries." Many people stay with certificates of deposit (CDs) comfortable in the knowledge that their holdings are FDIC-insured (subject to FDIC insurance limits). However, with the collapse of interest rates some years ago, many of the CDs are now earning a rate of interest below the rate of inflation.

Many real estate investors were hurt during the recent "great recession" when the prices of real estate went into a free fall. Some investors found that they were unable to continue the common strategy of refinancing their properties to pull cash out. Many were not able to sell their properties, even after being for sale for over a year. I have learned that there is no perfect investment. All have positive and negative aspects that must be considered and reviewed. The idea of having many sources of income from different types of investments resonates with many investors today. Speak with an adviser about creating a portfolio with many different kinds of investments. After all, you do not want all your investments to be affected by low interest rates or the price of gas at the pump.

Consider if you and your spouse have $1,000,000 in CDs, earning a very common interest rate of 1.00% for a period of 24 months. Your interest income totals $10,000 for the year – not exactly the millionaire next-door living high on the hog from interest, while protecting their principal! Many retirees lament of the times when they received 5% to 6% on their CDs, and their biggest concern was the new interest rate they would receive when their current CD matured. Little did they realize the rate of inflation was substantially higher than today.