

3 steps to a better retirement

If you're behind on your retirement saving, it's not too late. These three options can help you live a better life in your golden years.

By [Walter Updegrave](#), Money Magazine senior editor

Last Updated: November 3, 2009: 8:45 AM ET

NEW YORK (Money) -- **Question:** My husband and I are in our late '50s and haven't put anything away for retirement, although we do own our home. We figure we'll work another 10 years or so before retiring. Do you have any helpful suggestions for us so we won't have to live solely on Social Security? --*Peggy, Rockvale, Colorado*

Answer: Sure, I've got a few recommendations. But since there are no secret formulas or magical fixes for making up for a lifetime of saving little or nothing (aside from what you have in home equity), I doubt that most of them will come as blinding revelations to you.

What you may find surprising, though, is how much you can still improve your retirement prospects if you really commit, even though you're getting a relatively late start.

1. Save, save, save

The first thing you've got to do is start socking away as much as you possibly can. Ideally, you'll do this saving in 401(k)s, IRAs or other tax-advantaged retirement accounts, although barring that, plain-old taxable accounts will do.

Granted, starting from scratch in your late 50s isn't an ideal position to be in. But it's not hopeless either; you still have time to accumulate enough of a retirement stake to make a difference in your eventual standard of living.

You say that you expect to work about 10 more years. Even if you can manage to save just \$250 a month over that period, you would have a nest egg worth roughly \$43,000, assuming a 7% annual return. If you can boost the amount you put away to \$500 a month, you'll end up with twice that amount, or \$86,000, and if you manage \$1,000 a month, you'll have \$172,000.

I'm not suggesting that these are princely sums that will allow you to live large after you call it a career. I can't even say that you

would end up with precisely those amounts. Even if you make good on the saving part, the financial markets may not provide generous returns. But, let's face it, you'll definitely have more options and greater financial security going into retirement with even a modest nest egg than none at all.

2. Don't quit your day job

I also strongly suggest that you consider working longer than you now plan. Why? Well, for one thing doing so will give you more time to save, and more time for what you've already saved to rack up gains and grow. With five more years of working and saving, the \$250 a month I mentioned earlier expands to roughly \$78,000 (assuming the same 7% yearly return), the \$500 a month becomes \$156,000 and the \$1,000 balloons to \$313,000. Those are significant increases that can translate to meaningful lifestyle improvements.

[Working longer and postponing Social Security](#) will also allow you to boost the size of the check you eventually receive. As [this calculator](#) shows, the difference can be substantial.

One more advantage to staying in the workforce: the longer you can hold off tapping whatever nest egg you manage to build, the fewer years those savings will have to support you, and the lower the risk that you'll run out of money before you run out of time. That assumes, of course, that you tap your nest egg for retirement income [sensibly](#).

Even after you've retired, you may want to keep your hand in the work-a-day world by doing part-time or seasonal work. Aside from keeping you more socially engaged, earning even a small amount will allow you to draw less from your savings in retirement, increasing the longevity of your retirement portfolio.

Of course, finding work after you retire may not be a cinch, especially if you're searching in tough times like today. But whatever the economic climate, you can improve your chances of finding a retirement job by [following strategies](#) that leverage your maturity and experience and by checking out sites that cater to older job seekers such as [Retirementjobs.com](#), [Retired Brains.com](#) and [YourEncore](#).

3. Tap your home equity

The first technique that pops into most people's minds when it comes to parlaying a house into income is a reverse mortgage, which is a type of loan that allows people 62 and older to borrow against the equity in their home without repaying as long as they still live in it.

And a reverse mortgage can definitely be attractive for retirees. As this [AARP Reverse Mortgage Calculator](#) shows, a 65-year-old who owns a \$250,000 home free and clear might qualify for a lump sum advance of just over \$100,000, monthly payments of \$642 or a combination of an advance, monthly payments and a line of credit.

But this option has downsides too. The upfront costs can be high, which can lead to you paying an astronomical rate of interest if you end up drawing only a small amount or borrowing for a short time. And some unscrupulous sales people are [pushing reverse mortgages](#) as a way to get borrowers to invest the proceeds in dubious investments.

So don't assume that a reverse mortgage is the right way to get income from your home. Depending on your situation, you could be better off doing a home equity line of credit or selling your home and downsizing to smaller digs. Talking to a reputable [reverse mortgage counselor](#) can help you decide whether a reverse mortgage makes sense for you.

If you've got substantial home equity, you may also want to have a [financial planner](#) crunch the numbers on a few different options for you.

Bottom line: Even though you're well into your 50s and have no nest egg to speak of, you still have plenty of alternatives that, alone or in combination with each other, can save you from having to muddle through retirement on Social Security alone. In fact,


I'd say the main issue isn't the number of options, but your willingness to embrace them. ■

First Published: November 3, 2009: 4:42 AM ET

[Send feedback to Money Magazine](#)

Find this article at:

http://money.cnn.com/2009/11/03/pt/expert/retirement_late_start.moneymag/index.htm

 [Click to Print](#)

[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

Check the box to include the list of links referenced in the article.

© 2007 Cable News Network LP, LLP.