

How Will You Spend Your Retirement Savings?

Keep an eye on where it goes, as some destinations may be better than others.

You can probably envision how most of your retirement money will be spent. Much of it will be used on living expenses, health care expenses, and, perhaps, debt reduction. Beyond the basics, you will unquestionably reserve some of those dollars for grand adventures and great experiences. If your financial situation permits, you may also contribute to charity.

You just have to remember that your retirement fund is not a bottomless well. If outflows begin to exceed inflows (that is, you repeatedly withdraw more than you make back), you will face a serious financial problem.

With that hazard in mind, be wary of these four spending sieves. Some retirees fall prey to them, and all four can potentially reduce a retirement fund at an alarming rate.

Spending some of your retirement money on your adult children. According to the Federal Reserve Bank of New York, the average indebted college graduate is shouldering \$34,000 in student loans. No wonder some millennials live without a car, live with a couple of roommates, or live with their parents. It is easy to feel empathy for a son or daughter in this situation, but you need not bail them out.¹

You may be tempted to pay off some bills for an adult child, even some education debt – but should your retirement dollars be used for that? Frankly, no. (If you face the prospect of retiring with outstanding student loans, attack yours instead of ones linked to your kids.)

Spending some of your retirement money on your home. Should the mortgage be paid off? Does the landscaping need work? Should you put in solar panels? In asking such questions, question whether you want to assign your retirement dollars to such expenses.

Making a big lump-sum payment to erase your mortgage balance can also erase that money right out of your retirement savings. Some retirees find it better just to carry their home loans a little longer, enjoying the associated mortgage interest tax break. Certain home improvements might raise the value of your residence; others might not be cost effective.

Spending some of your retirement money at casinos. It is amazing how many retirees flock to gaming establishments. As AARP noted last year, about half of visitors to U.S. casinos are aged 50 or older. Gambling addiction is, fortunately, rare, but even casual gamblers can have a hard time walking away due to the comfort and conditions of the casino experience. Would any retiree be able to defend such spending as purposeful?²

Spending too much of your retirement money at the start of your “second act.” Often, retiree households get a little too ambitious with their travel plans or live it up just a little too much in the first few years of retirement. Either on their own or through a talk with their retirement planner, they learn that they must reduce their spending — and fast.

Aim to spend your retirement money in a way that you will not regret. Recognize these potential traps, strive to steer clear of them, and consider options that may give your retirement fund the possibility of further growth.

[Contact us](#) for help in retirement planning.

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Citations.

1 - tinyurl.com/ldkz9yt [4/4/17]

2 - aarp.org/money/scams-fraud/info-2016/casino-traps-older-patrons.html [2/16]