# How to Make Your Money Last Through Retirement

You've worked hard to build your retirement cushion, and now it's time to enjoy it—but don't use up that money too quickly.

By **Kristine Gill**

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In a perfect world, we would all work for 30 years and retire with full confidence that our investments and retirement planning could support us at our current lifestyle until the day we die. In reality, planning for retirement isn't that simple—and the work doesn't end the day you decide to stop working your full-time job.

Making your money last in retirement is as important as investing and saving for retirement, and approaching this in the right manner requires balancing a mix of financial strategies and emotional behaviors in the name of ensuring your money is not wasted.

These retirement planning experts weigh in on how to stretch your nest egg without feeling stressed about your budget in retirement.

## Be realistic about your lifespan

Terry Savage, a nationally syndicated financial columnist and author of *The Savage Truth on Money*, says the first step in budgeting for the rest of your life starts with estimating your lifespan. She suggests taking an online quiz to start. Many will factor in your medical history and everything from exercise and smoking habits to your daily diet and guessing what age you might live to.

"You might find that you get a number like 96," she says. "You think you're above average in everything else, so why not think about that possibility, too. It would, of course, be easier to plan if you knew how long you were going to live."

If you're not yet ready to retire, Savage says the key idea is to save more and start saving earlier to prepare for the possibility that you will live as many as 30-plus years after the day you retire.

If that's the case, the money you're investing now for a retirement beginning in 20-plus years won't stretch as far as it would if you retired today. Savage says to keep in mind that inflation will continue to work against you as you age.

"You need an investment plan for your savings that recognizes two things: the need for growth to outpace inflation on one hand, and the need for cash savings to give you peace of mind. That's a personal equation," she says.

Of course, many of these strategies need to be put into action before you retire. What should you do to stretch your savings once you're actually retired?

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## Decide how to take your distributions

Shelly-Ann Eweka, director of financial planning strategy at financial services company TIAA, says deciding how to take your distributions is an opportunity to set up a lasting framework for your retirement spending.

“A lot of people don’t focus on how to make the money last. They just see a big amount of money in their account,” she says. “It’s important to set up a plan that will help them make the money last.”

Doing so will mean evaluating each of the options (and the rules) for taking distributions on your accounts, beginning with your 401(k).

Eweka says there are usually five options for taking these distributions. You can take the minimum required distribution each year; you can roll your money into another retirement account, like a Roth IRA; you can take it in a lump sum; you can take periodic withdrawals at your discretion; or you can purchase something like an annuity to give yourself a fixed annual income.

Eweka rarely recommends the lump sum, and says most retirees prefer something stable like an annuity.

“You want about two-thirds of your income needs in retirement to be covered by lifetime income,” she says. “So some of that will be Social Security. Very few people are fortunate enough to have pensions, most people don’t, so the rest of the two-thirds needs to be the rest of your retirement savings. That’s how you determine how much to annuitize.”

Annuities are a favorite among financial advisors because they’re similar to the annual income you were used to working with during your career. When you buy an annuity, it will be calculated based on your life expectancy and the money you have saved, giving you the right amount to spend each year while ensuring that the money lasts.

## Reframe your spending habits

Annette Hammortree, a retirement income certified professional and owner of Hammortree Financial Services in Crystal Lake, Ill., cautions that spending your money in retirement can feel more precarious than while you're working. Knowing the money is limited is key, but appreciating that fact without allowing it to cripple your lifestyle is a tricky balance.

"If I retire and I have $2 million in my portfolio, I have to separate myself from the net worth or asset," she says. "Having $2 million means nothing to retiring. You now have to forget you have $2 million, and you have to say you have an $80,000 annual salary. You have to live on that income and nothing else. You can't invade that $2 million if you want a new car. To take a vacation, you can't go back into that $2 million pot. It's about understanding the asset is no longer an asset to use."

Spending within these confines can make some retirees feel trapped.

"You're also being held hostage by the asset," Hammortree says. "If [you] can only live on 4 percent of that income, then you're held hostage by all of these rules of thumb. That's when having guaranteed forms of income or annuities makes it easier not to worry about running out."

In other words, there's a good chance you won't feel completely comfortable knowing you have one large nest egg that has to last the rest of your life. "Having a pot of money is great, but understanding how to utilize it and balance risk of running out vs. being comfortable is key," Hammortree says.

Of course, making any investment last will come down to budgeting. "A budget is absolutely essential in any stage of your life," Savage says.

## Look into long-term care insurance

Another way to make your money last is to protect it from some of the biggest expenses you can reasonably expect in retirement. For that reason, Savage is a big proponent of long-term care insurance.

"It's a point in our life none of us wants to get to, actually, but the cost of long-term custodial care can literally wipe out a couple's retirement savings," Savage says.

Paying for a LTC insurance policy will ensure your other investments remain intact. Savage suggests buying a combo LTC and life insurance policy, which will pass any unused funds onto your beneficiaries should you pass away without having used the LTC policy.

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## Consider a part-time job

Many retirees soon find that they miss having a job, or at least the responsibilities, engagement, and camaraderie of working in certain settings. Some find that while they don't miss the work, they do miss the steady paycheck.

If you're struggling to make ends meet or looking to fill your days, consider taking a job or easing gradually out of your current career to keep working in retirement.

"Many individuals are staging their retirement instead of stopping 100 percent," Hammortree says. "Some are changing careers or just working part-time. The benefit to that is we're not draining the portfolio to meet 100 percent of our income needs."

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## Continue working with a financial advisor

Because spending your retirement money requires more forethought than simply spending a paycheck, most advisors suggest you keep in close contact with your retirement planners. Your advisor will be able to look at your particular mix of investments and tell you how to spend them going forward.

“I strongly recommend you work with an advisor to help you recognize risk you may not be seeing,” Hammortree says.

That might mean allowing some assets to continue growing, for example.

“If you do not need the money just now, allow it to stay invested for as long as possible,” says Jody D’Agostini, CFP, an Equitable advisor. “This money will continue to earn investment income that is not currently taxed.”