

## **Have a Great Retirement on a Reduced Budget**

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Most people don't want to reduce their standard of living in retirement and live on less income than they did before. Unfortunately, many people find that they have to do just that. Their combined sources of retirement income (e.g., Social Security, employer retirement savings plan, and savings/investment withdrawals) simply add up to less income than they earned previously from full-time employment. In addition, some people end up living on less income because of negative life events such as divorce, widowhood, job loss, disability, and poor health.

Along with having reduced income, many retirees find that they must carefully watch their expenses. One reason is that they have 40+ more hours per week to be a "consumer." Before retirement, many people do the bulk of their spending on weekends, compared to the workweek. In retirement, every day is like a "weekend," with an increased opportunity to spend freely. In addition, people are living longer, which requires that their savings last as long as they do. There's also inflation and the challenge of maintaining the same "buying power" 20-30 years in the future.

What to do? Develop a plan for smart spending in later life to stretch available income and assets. Consider the following 25 ideas as a starting "menu" of strategies to spend less and still have a great retirement. For more ideas, see AARP's Cost Cutting Tips [www.aarp.org](http://www.aarp.org)

### **Health Care**

1. Reduce the risk of incurring costly medical expenses by getting an annual flu shot and physical exam, having regular health screening tests, taking required medications, eating nutritious snacks, and exercising regularly.
2. Request generic equivalents of prescription drugs, where available, and order 90-day supplies of drugs by mail.

### **Housing and Energy**

3. Trade down to a less expensive home or condo in the area where you currently live or move from a high cost-of-living state to a lower cost one.
4. Buy energy efficient appliances and run dishwasher/washing machines with full loads at off-peak hours.
5. Save energy by closing off unused rooms, checking weather stripping and caulking, and upgrading attic insulation. Get a free energy audit that will provide a list of recommended action steps and projected savings.
6. Try to pay off your mortgage before you retire. If you have a mortgage and plan to stay in your home for at least a few more years, consider refinancing to lower monthly

payments if interest rates have dropped. Another option is to replace a mortgage with a low-cost, short-term home equity loan. Either way, interest on a new loan will be tax-deductible. Taxpayers can deduct mortgage interest paid on home acquisition debt up to a total of \$1 million. The home equity loan indebtedness limit is \$100,000.

### **Shopping**

7. Use “senior discounts” for travel, shopping, restaurants, and admission fees at parks, movies, museums, and other forms of entertainment.
8. Buy grocery items on sale and/or in season and select generic or store brands, which are generally cheaper than national brands (exception: when national brands have deep discounts or double/tripled coupons).
9. Shop flea markets and farmers markets close to closing time for deals from vendors who do not want to carry their products back home.
10. Buy “gently used” clothing on sale at consignment shops. Look for bargains on furniture, appliances, and home furnishings at thrift shops, garage sales, and/or through online auctions.

### **Taxes**

11. Consider retiring to a state with no income tax and/or a state that does not tax income from pension. For information about state taxes, see the Retirement Living Information Center Taxes by State web page at <http://www.retirementliving.com/RLtaxes.html>
12. Take all income tax breaks available to taxpayers 65 and older (e.g. higher standard deduction).
13. Reduce income taxes with tax-efficient drawdown of retirement assets. If possible, take withdrawals from taxable accounts and tax-free investments (e.g. municipal bonds) before tapping tax-deferred accounts prior to age 70 ½.

### **Travel**

14. Plan airline trips around weekend or mid-week specials and be flexible about travel dates, airlines, and airports that you fly into or out of. Avoid “peak” travel dates and times and try to do the reverse of what other travelers do to save money when traveling by plane, train, subway, or bus.
15. Travel with programs geared to retirees, such as Elder Hostel, and planned tours or all-inclusive travel “packages” from reputable vendors. Always ask about available discounts, such as AAA or AARP, when traveling.
16. Drive a car that costs less than average to insure and ask for discounts, including “safe driver” rates and a premium reduction for driving short distances after you are no

longer commuting to work. Raise your deductibles if the savings is worth it and you have an adequate emergency fund for potential out-of-pocket costs.

17. Buy a “new used” car (e.g., 2 to 3 years old) so that some of the heavy depreciation has already taken place. Check Consumer Reports’ yearly April issue for a description and rating of recommended makes and models.

### **Miscellaneous**

18. Cash out or discontinue unnecessary insurance policies (e.g., whole life insurance if your dependents are grown and disability insurance if you are no longer working). Save the money or use it to pay premiums for new types of insurance that are needed such as Medigap (Medicare supplement) and long-term care policies.
19. Sell the second family car to save money on car payments, insurance and/or maintenance costs.
20. Use restaurant discount coupons and “early bird specials,” take a “doggie bag” of food home for another meal, eat an appetizer as a meal, and/or eat out at lunch, instead of dinner, when portions are smaller and prices are less expensive.
21. Choose a cell phone plan that best meets your needs (eg., number of minutes per month, rollover minutes, reduced rates or free unlimited calling during certain hours) or purchase low-cost prepaid telephone calling cards as needed. Better still, purchase “bundled” telecommunications service: television, Internet, and phone service combined.
22. Pay bills electronically through online banking or pre-authorized debits to save on postage.
23. Get a free checking account or, better still, an account status with “perks” such as free check printing and free safe deposit rental. Many banks and credit unions offer these types of accounts for customers over age 55 or for those who keep a specified amount of money on deposit.
24. Try to negotiate lower prices on purchases with words such as “Is this the best price available?” or “Are there any discounts available on this product?” Mentioning interest in a competitor’s product or service can sometimes prompt a discount from merchants, as can the use of store “rewards cards” and “cash-back” programs. Also ask store personnel about the timing of upcoming markdowns and plan shopping trips accordingly.
25. Pay credit card bills in full to avoid interest charges. As long as you are a “convenience user,” use credit cards that provide cash-back rebates or product discounts. Avoid credit cards with annual fees and no grace period.

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**DESCRIPTION:** Is retirement everything you thought it would be financially? Or are you looking for ways to stretch your retirement income for various reasons? This lesson will provide ideas and tips for stretching your retirement income before you retire or if you are already retired.

**GOAL:** This lesson will provide talking points for planning for or reducing expenses in retirement.

**Presentation:** There are 25 suggestions included in this lesson. Information can be presented as talking points with discussion from members on ideas of things that have worked for them also.