

HOW TO RETIRE WITH NO SAVINGS



By: Andrew Lisa - August 31, 2022

According to the U.S. Census Bureau, about half of Americans ages 55-66 have no retirement savings at all. If you're one of them, you're facing an uphill battle as you look toward life beyond your earning years — but you already know that.

Maintaining a decent standard of living will not be easy if you are set to retire with no savings, but it's not impossible either. Here's what you need to know about retiring if you didn't save nearly enough or didn't save anything at all.

Make Every Dollar Count — and Count Every Dollar

If you're retiring without a retirement fund, your success or failure will depend on two words: frugality and budgeting.

"Being frugal is not the same as being cheap," said Fluent in Finance founder Andrew Lokenauth, an investing and banking professional. "Being frugal is prioritizing your spending. You need to know the difference between needs — food, shelter, utilities, basic clothing, healthcare and transportation — vs. wants, like entertainment, vacations, dining out, the newest tech and electronics, designer clothes and multiple streaming services. Create a budget to track your spending in order to figure out where your money is going and how you might be able to better allocate it."

Downsize Your House — and Your Life

If you own your home but haven't been saving, there is some good news. You actually have been saving — and now might be the time to cash in.

"By selling your large home and expensive car, you can free up some cash to help cover living expenses in retirement," said behavioral scientist and money coach Erin Papworth, founder of the fintech startup Nav. it. "Start with your house. If you own a large home, it may be time to downsize to something smaller, more manageable, and more cost-effective. Not only will this save you money on your mortgage or rent, but it will also reduce your maintenance and utility costs."

Pick Your Next Location With Savings in Mind

If you do have a home to sell, the obvious next step would be buying or renting something smaller in a cheaper market. Moving to a community built specifically for retirees could earn you long-term savings in

lifestyle costs like transportation.

"Smaller cities like The Villages or Sun City Center in Florida have built golf cart paths for residents to get around instead of cars," said Papworth. "Imagine the savings. A golf cart costs between \$2,500 and \$25,000."

The average new car, on the other hand, now costs more than \$48,000, and the average used car price has climbed to \$33,000.

If you don't own a home, or if you don't have the equity to relocate to a retirement community in the Sunshine State, you can still scale back your housing bills.

"There are some buildings that offer subsidized rent, capped at 30% of income in major cities," said Dennis Shirshikov, strategist at real estate investing company Awning.com. "Retirees could also move to states with lower taxes and less expensive housing to stretch a smaller retirement budget."

Or, Stay Where You Are and Trade Your Equity for Income

Despite the attention paid to retirement savings, a steady stream of money coming in can be much more valuable than a finite amount of money saved.

"What it mostly depends upon is income," said John Graves, founder and managing partner of G&H Financial Group. "In retirement, income is king. There is a common belief that huge amounts of savings are necessary, but the reality is that guaranteed income is far more important than an IRA balance."

Reverse mortgages can offer homeowners income in exchange for the equity in their homes without the retiree having to sell or borrow.

"A reverse mortgage can be a strategic tool for covering retirement expenses and aging in place, even if a retiree has little or no savings," said Christian Mills, head of financial advisor relations at Reverse Mortgage Funding. "Reverse mortgages allow qualifying homeowners the ability to turn their home equity into liquid cash, which can be used to pay for healthcare costs, home improvements, paying down debt or supporting their desired retirement lifestyle. While the typical minimum age to obtain a reverse mortgage is 62, some proprietary reverse mortgage products are available to individuals ages 55 and older."

Get the Most out of Healthcare Savings Programs

As your age increases, so will your medical bills. If

you're retiring with little or no savings, make sure you have a plan for paying the doctor before you put in your two weeks' notice.

"One of the largest categories of expenses for retirees is healthcare," said Garrett Ball, owner of the independent Medicare insurance agency 65Medicare.org. "But fortunately, there are options that can minimize your expenses in this category. Medicare-age retirees have the option to elect low-premium plans that give broad medical coverage with minimal premiums. Also, there are state-based programs, such as Medicaid and pharmaceutical assistance programs that can help with your medical care and expenses, making retiring more feasible regardless of your level of retirement savings."

Delay Retirement — and Social Security

One thing that most people with limited savings can do no matter their circumstance is to remain in the workforce for as long as they can. Delayed retirement comes with several benefits.

"One of the best options is to continue working for longer," said Andy Kalmon, CEO of Benny, which focuses on wealth-building through ESPPs. "Not only does this allow you to continue earning income, which you can aggressively put toward your retirement savings, but it can allow you to maximize your Social Security benefits by delaying your payouts. The longer you wait to start accepting Social Security payments, the more money you get each month, and when combined with a few more years of working, that significantly improves your retirement funds when in a tighter financial position."

The Social Security Administration (SSA) offers a breakdown of exactly how much extra you'll receive for every month you delay filing for benefits past your full retirement age. You can accumulate credits that increase your payments until you're 70 years old.

Invest in Professional Help

If money is tight, you might look at professional financial advice as an unnecessary expense, but when every dollar counts, it might be a worthwhile investment.

"Work with a financial planner," said chartered financial consultant Peter Hoopis, president of Peter Hoopis Ventures. "A financial planner can assess your financial position from your assets, liabilities, net worth, and cash flow position. Based on these and your risk profile, he can recommend the best strategies you can take to build your retirement fund fast."

John Graves, founder of G&H Financial Group, specializes in retirement planning and working with clients pre- and post-retirement who desire to preserve their money for when they need it most. John prides himself on building and maintaining long-lasting relationships with clients and their families.

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