

Top Five Money Moves to Make in Your 50s

Want to be perfecting your golf swing or visiting your grandchildren rather than punching a time clock when you reach retirement age? If you're in your 50s, then you can't afford to waste any time. Laying the groundwork for your retirement is essential. According to a March 6, 2008 article by Stacey L. Bradford in SmartMoney.com, here are the top five money moves 50-somethings should make.

Make Sure You're on Track for Retirement

Once you hit 50, it's time to take a hard look at your assets and see if you're on track for retirement. If you haven't already done so, you need to start estimating how much retirement income you'll need and what your total nest egg should look like. If you want to retire on the earlier side or maintain your current lifestyle, you'll need to save more than someone who is happy going to the office until age 65 and living modestly in retirement. You'll then want to figure out how much you need to save each year until retirement to reach that goal. You can find retirement worksheets at SmartMoney.com and many other financial websites.

There's some good news for those who've fallen behind. If you haven't been maxing out your retirement accounts, you can start making up for it now. The IRS allows workers age 50 and older to start making annual "catch-up" contributions for their 401(k), 403(b), and IRA. In 2008, you can contribute an additional \$5,000 for a total of \$20,500 into your 401(k) and 403 (b). You can put an added \$1,000 into your IRA for a total of \$6,000.

Pay off Debt

"Your goal in your 50s is to start freeing up cash flow and reducing expenses so that when you go into retirement you won't have those additional costs," says Bill Losey, a certified financial planner and author of "Retire in a Weekend." Your first priority, he says, is to pay off all of your nondeductible debt. This includes any personal or education-related loans you took out to pay for your kids' college tuition and other expenses. More importantly, resist the temptation to take on any additional debt, says Losey. If you're lucky enough to have extra cash on hand, this is also a great time to tackle paying off your house. In an ideal world, you don't want a mortgage weighing down your finances during retirement. Even though mortgage payments are deductible, you're still better off without the added expense since you won't have a regular paycheck to dip into.

Disability Insurance

Accidents happen more often than you'd like to think. Nearly one-third of workers in the workforce eventually become disabled before retiring, according to the Social Security Administration. Protecting yourself against a long-term illness or debilitating condition is especially important when you get into your 50s. If you become

disabled tomorrow and lose your paycheck, you could derail all of your retirement planning, warns Howard Kaplan, a CPA and retirement specialist based in Englewood, N.J.

The best way to make sure you're covered is to buy disability insurance. Even if your employer offers some coverage, you should consider supplementing it. Most employer-sponsored disability plans reimburse just 60% of your income and benefits and typically only last two to five years. A supplemental policy will allow you to insure up to 80% of your current income and can last until you reach retirement.

Long-Term-Care Insurance

Believe it or not, your 50s is the perfect time to consider long-term-care insurance. That's because you're still young enough to qualify for a reasonable premium. You're also less likely to have any ailments that could keep you from qualifying for the most competitive rates. Consider this: A healthy 55-year-old male will pay around \$3,500 a year for Genworth's "Privileged Choice" long-term-care policy, which offers a \$200 a day benefit with a 5% compound inflation protection clause. If you're just five years older, the policy's premiums jump to \$5,500. At age 65, those payments climb to a stunning \$9,400 a year.

Before you buy into a policy, make sure to do your research. Even at age 55, premiums vary greatly based on the carrier you choose and how comprehensive the benefits are. And while price is important, you shouldn't necessarily buy the cheapest policy you can find, warns Richard Sauerhaft, a Mount Vernon, N.Y.-based insurance agent. Some of the least expensive policies can leave out important benefits, including inflation protection and the freedom to hire any home health-care aide you want, he says. Without these provisions, you could end up spending money on premiums but then get little value once your benefits kick in.

Review Your Estate Plan

Chances are you drafted a will back when you had children and haven't thought about it since. If that's the case, then it's time review it — and complete the rest of your estate plan. Now that you're a little older, your needs have probably changed and so have your assets. If you're married and think your holdings may trigger the estate tax, you should consider setting up a bypass trust, which is also known as an AB trust, says Bernard Krooks, an estate-planning attorney with New York-based law firm Littman Krooks, LLP. (While the estate tax exemption is \$2 million for 2008, it's scheduled to drop to \$1 million in 2011.) A bypass trust is designed to lessen a couple's estate tax liability, says Krooks. Each spouse puts half of his and her assets into an AB trust. Their children are then named as beneficiaries with the condition that when one parent passes away, the surviving spouse has the right to use the money for life. Then, when the second spouse dies, the money in the trust passes to the children. Since the money was never owned by the surviving spouse, it was never part of her estate and maintains its own estate tax exemption, explains Krooks.