"Transitioning from saver to spender can be a disconcerting shift for many seniors. A more systematic approach to spend-down can help."

Transitioning from being a saver in the accumulation phase to a spender in the spend-down stage of your financial life means you will be required to not only keep a close eye on your investments, spending, and taxes but also for creating your own "paycheck."

For some retirees, this paycheck might result from living off the interest or dividends from investments. Others may prefer more predictable income sources, including annuities and Social Security. These "safe money" assets can help you achieve more peace of mind and perhaps cover your basic living expenses.

Shore up your emergency savings

It's crucial to take a systematic approach to the problem of how best to spend your money in retirement. You should ensure you have enough money to last at least a year to cover unexpected expenses. Suppose you're worried about having to sell off investments in a bear market to cover emergencies. In that case, you might want to discuss rebalancing your portfolio with your advisor, perhaps using more liquid assets.

Include predictable income streams, using annuities and life insurance

Most planners understand, at least on a fundamental level, the power of annuities to help their clients avoid running out of money when they retire. After all, almost every financial services company offers annuity products, and they have done so for many years.

Modern retirement research has produced volumes of data-based reports confirming the value of an annuity in a retirement portfolio. Life insurance and annuities may suit retirees who desire the protection of their principal, a predictable stream of lifetime income, long-term care options, or want to leave a legacy to a family member.

Despite the positive data surrounding annuities, many advisors are reluctant to offer them to their clients. This reluctance is often because they believe there will be pushback from clients who have heard negative things about the product through the media or online.

Many popular financial entertainers such as Dave Ramsey have been openly antagonistic about annuities and continue to spread myths and misconceptions to their viewers.

However, continuing changes in retirement plan structure and funding of employer plans have caused more people to dig deeper into safe money and income products as a means of creating their own pension plans.

Since 1974, the traditional defined benefit plan, which provided retirees with benefits based on final salary and years of service, has all but disappeared from the private sector. Replacing it is the direct contribution plan in which employees and their employer regularly contribute to accounts in the employee's name.

Direct contribution plans benefit companies by lowering their expenses. But, they place the burden of retirement success squarely on the shoulders of the individual. If you participate in a workplace plan, both longevity risk and performance risk have been shifted to you. Standard direct contribution plans do not guarantee your account will provide lifetime income and running out of income before you die is always a distinct possibility.

That’s why most retiree portfolios will benefit from strategically designed insurance and annuity products. Strategically designed life insurance is another way to create more predictable, tax-advantaged revenue streams. Properly structured, life insurance offers more liquidity, use, and control of your money than many other assets.

Lawrence Castillo is a member of *Syndicated Columnists*, a national organization committed to a fully transparent approach to money management.

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‘Layin’ it on the line’
By Lawrence Castillo
Guest Columnist