Making Your Money Last in Retirement
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We are living longer lives, and that's a good thing. But there is a downside – your retirement savings must stretch to cover you and your spouse for a protracted period of time.

According to the latest figures from the Centers for Disease Control and Prevention, if you were 65 years of age in 2001, at that time you could expect to live an average 18.1 more years. That compared with an average 16.4 years of life expectancy at age 65 in 1980, and 13.9 years to go at age 65 in 1950.

To keep up with inflation, you must not only preserve your nest egg's principal but keep the income growing as well. For example, an income of $2,000 a month when you retire will be worth just $1,107 a month 20 years later, assuming a 3 percent rate of inflation.

But how do you invest your money to satisfy both of these conflicting imperatives? Preserving principal requires shorter-term fixed investments such as certificates of deposit, savings accounts, fixed annuities, and short-term bonds. In return for stability, however, investors accept returns that may not keep up with rising expenses.

Thankfully, Valley residents do not have to sacrifice returns for safety. Here are two strategies that allow retirees to both protect principal and preserve purchasing power:

- The U.S. Department of the Treasury offers inflation-adjusted bonds, called I-Bonds, in denominations as low as $25. Treasury Inflation-Protected Securities, or TIPS, are also available at $1,000 apiece. While the value of most bonds is eroded by inflation, these bonds actually increase in value as the cost of living increases. They are also available through mutual funds.
- Various annuities offer inflation protection, including variable annuities with guaranteed withdrawal benefits. This feature guarantees you may withdraw every dollar invested over a period of time regardless of what actually happens in the market, allowing investors to put some money at risk in the equity and bond markets in expectation of higher returns. Some annuities offer a guaranteed minimum income benefit, which gives you the right to a pension income. The price for all this protection is often a steep fee schedule, and consumers should carefully weigh the pros and cons before purchasing an annuity.