5 Personal Finance Tips for Retirees

As a retiree, you may have certain financial constraints and concerns. Here are some money management tips to help you along.

Going from salaried employee to retiree can result in some major financial upheaval. Once you're limited to a fixed income, and one that's likely lower than what you were making back when you were still working, managing your expenses can get tricky. Here are a few tips to help you stay on top of your finances.

1. Create a budget, or update your old one

While it's important for everyone to follow a budget, this especially applies to retirees who may not have as many options for generating additional income. A budget will help you track your spending and identify trends that might otherwise throw you for a loop. Let's say, for example, that before you retired, you estimated your average healthcare costs at $300 a month. But what if that number turns out to be much higher? Since your medical care is pretty much non-negotiable, you'll need to make changes to other living categories to accommodate your higher healthcare costs. Without a budget, you may not realize just how much you're spending on medical care and where you have opportunities to save elsewhere.

Even if you had a budget before you retired, keep in mind that your expenses may have changed now that you're no longer working. You might, for instance, be spending more on leisure now that you have more free time on your hands. Your budget should be something you not only follow, but update regularly to accommodate life's ever-shifting expenses.

2. Prepare to pay taxes
The income you receive in retirement may be subject to taxes, and the more prepared you are for that, the better. Any income you take out of a retirement plan like an IRA or 401(k) is taxed as ordinary income. The only exception is if you have a Roth IRA, in which case your withdrawals will be tax-free. You'll also pay taxes on gains from investments you hold in a traditional brokerage account, and while long-term gains are taxed at a lower rate than short-term gains, don't expect to pocket all of your profits. Finally, realize that even your Social Security income isn't automatically immune to taxes. If your provisional income is high enough, some of your benefits may be taxed as well.

3. Hold off on Social Security if you can
Some retirees don't have the luxury of delaying their Social Security benefits, but if you're able to wait, you'll be rewarded with extra money. For every year you delay Social Security past your full retirement age, you're given an 8% boost in benefits up until age 70, at which point there's no additional incentive for holding off.

Say your full Social Security retirement age is 66, your full monthly benefit amount is $2,000, and you don't start taking benefits until you reach 70. By waiting those four years, you'll increase your monthly payment to $2,640 -- for the rest of your life.

4. Don't overspend on housing
Housing is often the average American's largest monthly expense, and overpaying for housing could wreak major havoc on your budget. If you have the option to downsize and lower your housing costs in the process, that's something to seriously consider. Moving from a three-bedroom townhouse to a one-bedroom condo, for instance, might shave $500 off your housing costs and put an extra $6,000 a year back in your pocket.

Even if you own your home outright, it still might pay to reconsider your housing setup. Homes tend to require more and more maintenance over time. In fact, the average homeowner spends 1% to 4% of his or her home's value each year on repairs and maintenance. This means that if your home is worth $400,000, you might spend anywhere from $4,000 to $16,000 a year on upkeep. And the latter is a pretty scary number for someone on a fixed income -- especially since it doesn't even include homeowners' insurance and real estate taxes, which also have a way of increasing over time. While you may have an emotional attachment to your home, it might make more financial sense to unload what could wind up being a huge liability and move to a more affordable rental instead.

5. Look for discounts everywhere
One major perk of getting older is the abundance of discounts available to seniors -- discounts that can go a long way toward helping you save money. From restaurants to museums to movie and theater tickets, there are numerous ways to occupy your newfound free time on the cheap. But it's not just leisure you'll save on. You can lower some of your basic living costs, like transportation, by taking advantage of senior discounts, and you might get a break on

prescription costs too. Even a small amount of savings can make a difference for someone on a fixed income. If you take a public bus twice a week and shave $2 off each fare, over the course of a year, you'll have saved over $200.

Retirement doesn't have to be a financially stressful time in your life. With a few smart moves, you'll be well on your way to managing your money and enjoying retirement to the fullest.

http://www.fool.com/retirement/2016/10/10/5-personal-finance-tips-for-retirees.aspx?source=yahoo-2&utm_campaign=article&utm_medium=feed&utm_source=yahoo-2&yptr=yahoo