A Path to Financial Freedom in Your 50s

by vcmorris - Thursday, April 29, 2010

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Everyone's looking for financial freedom these days. So what path should you take?

If you're in your 50s or older and feel that your money safety net has been badly frayed by the deep recession, there are ways to make repairs. But you've got to do it now.

There's nothing worse than debt at any time in your life, but at the vulnerable just before retirement age, there's nothing more destructive. Reduction should be your operative word. Payoff your mortgage if you can. If that would use up too much of your cash, you might want to consider reducing your payments by getting a new 30-year mortgage. Or finally, think about downsizing by using the equity in your current home to buy a smaller place which would/could leave you with no house payment at all or at least a significantly smaller one.

Another important option if you're feeling exposed financially and worried about making ends meet for the foreseeable future – don't forget the "B" word: budget. I always like to call this a "spending plan" because that's less daunting to most people. A budget is essential throughout life but when it comes to retirement plans – a budget is your salvation. It tells you exactly how far your income will go and provides a snapshot of where you can save money if you put your mind to it.

At this point in life, we need to find money to save. As I like to say: spend wisely and save wildly! We must curb the innate desire to help our adult children as they are in the midst of growing families. We can't afford to loan them money or pay daycare or education bills until and unless we've fully provided for ourselves.

Though you've worked most or all of your life in order to retire in style say at the age of 60, you just might need to keep on working or find a job if you've already retired. As tough as the concept might seem, it does give you some valuable options like health insurance and other benefits that will stretch your valuable savings.

According to colleagues who are retirement specialists – be sure you're smart about when to claim Social Security. My financial advisor suggested that I draw from my 401(k) or IRAs rather than tap into Social Security benefits. Waiting until age 70 means your check from the government would be 76% higher than taking draws at the early retirement age of 62.

***It*'s *your money so take it personally* ™.** The time to practice that – is now. Here's to your health and wealth.
