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Personal Finance
Ask the Experts with Claudia Buck

Get advice on money matters from The Bee's Claudia Buck and a panel of local experts

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May 13, 2013

At age 71, where can I invest my annual IRA withdrawals?

Q: I just turned 71, so I received the allotted amount from an IRA account and from an ICMA account. My husband and I live comfortably with our pensions right now and don't need this money yet. We have health insurance, but we don't have long-term care insurance. Where can I invest the money, so it will produce a decent amount of interest and be available if the need arises?

Alicia
Woodland, CA

A: Many of my clients are around your age, and they focus on income and preservation of wealth when it comes to their investment strategies.

When you invest, you take certain risks. With insured bank investments, such as certificates of deposit (CDs), you face inflation risk, which means that you may not earn enough over time to keep pace with the increasing cost of living. With investments that aren't insured, such as stocks, bonds and mutual funds, you face the risk that you might lose money, which can happen if the price falls and you sell for less than you paid.

We know risk and reward are related. It's important to understand what your investment choices are and how different types of investments put your money to work. If you are looking to set money aside for short-term, low-risk income investments, you may wish to explore a short- term, high quality bond fund, such as Vanguard Short-Term Investment-Grade Fund Investor Shares (VFSTX) or Short-Term Extended Quality Portfolio (DFEQX).

On the other hand, if you're willing to take on more risk in your portfolio, public utility funds are a great way to gain income (they're regulated to some degree, so have similar characteristics to bonds and growth potential because they're a stock fund).

Please remember that these are just guidelines. No single approach to choosing investments will work for everyone or will be right for every situation. You may want to check with your wealth advisor. If you do not have one, here are two sites where you can explore finding a professional in your area: CFP.net or IMCA.org.

This response is for information purposes only. Kimberly Foss, CFP, CPWA, and Empyrion Wealth Management do not endorse any of the above products, companies or strategies. Before acting on any issue covered in this response, it is important to speak with your financial planner, CPA, insurance agent or attorney since they are most familiar with your situation.

» Ask Kimberly Foss a question

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Posted by **Kimberly Foss**
9:18 AM | 1 Comment

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Steve Pelly

Alicia in Woodland, CA is confusing investments with insurance. At today's rates, you'd need to lock up many hundreds of thousands of dollars to pay for even one year of nursing home care. You can verify the amount you'd need by going to Genworth's 2013 Cost of Care Survey. For example, a Los Angeles County nursing home stay would cost from $75,000-$95,000 a year per person. That could be covered by about $2 million invested at 5%. Home care isn't much less expensive if you need round-the-clock 24/7 care. A better way is purchasing insurance. If you really believe you'll die and never collect any benefits, you can always purchase a "return of premium" rider and your estate will get a check for all of the premiums spent in a lifetime. Alicia might like to see a recent article in the trade periodical, Investment News at http://www.investmentnews.com/.... It discusses the difference between income needed to pay for care and the purpose of investments.-Steven Pelly, CLTC, Managing General Agent, Westwood Insurance Group, River Vale, NJ.

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