



3 Simple Ways to Get More Income in Retirement

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Most retirees face a big challenge to get enough cash for their living expenses after they retire, and lately, it's been tougher than ever to squeeze more income out of bank accounts and other traditional income investments. Fortunately, there are some other strategies you can use to boost your retirement income and be more financially comfortable in your golden years.

To give you some good ideas on ways to generate more income in retirement, we asked three Motley Fool contributors to weigh in with their views on some viable income-producing strategies. Take a look at them and see which ones fit best for your situation.

Dan Dzombak: One simple way to get more income in retirement is to get a part-time job. Before you stop reading, hear me out; there are lots of benefits for those in retirement who get a part-time job.

First, once you stop having to work to make an income, work becomes a choice, which makes it much more enjoyable. A study by Merrill Lynch and Age Wave found that compared to work before retiring, work in retirement is more flexible, more fun, more fulfilling, less boring, and less stressful.

Second, studies have shown that getting a job after you retire means both better mental health and physical health. In terms of physical health, besides enjoying the benefit of remaining physically active, those who have a job have been shown to develop fewer major diseases or disabilities than those who quit working. Working keeps you mentally active, too, and it also gives you social connections, which can be one of the biggest challenges retired people face.

For those considering working in retirement, the Merrill Lynch and Age Wave study found that working retirees advise those considering working in retirement to:

Be open to trying something new (76%)

Be willing to earn less to do something you truly enjoy (73%)

Keep up with technology (50%)

These three highlight the advantages of working in retirement: It's the opportunity to try something new, do something you truly enjoy, and be pushed to stay mentally active, all while you get more income in retirement.

Asit Sharma: I second a challenge from Dan Dzombak's advice: Are you willing to try something new? One often overlooked method for increasing income in retirement is to invest in preferred stocks. Preferred stocks are commonly described as a "hybrid" instrument, in that they combine features of both common stocks and bonds.

Preferred shares pay a regular dividend, and in most cases, offer higher yields than common stocks. A key advantage of preferred shares is their "preference," or rights over common shares. Preferred shareholders must be paid dividends before common shareholders. Also, in the event of a bankruptcy, preferred shareholders have a higher claim on assets than their common stock brethren.

There are some trade-offs to be aware of as well. Preferred shareholders don't have voting rights. In addition, preferred shares are typically "callable" after five years, meaning a corporation can redeem, or buy back, the shares at the issuing price, known as par value. Preferred stocks tend to float above or below par value without much volatility, although, like bonds, their pricing can be influenced by significant changes in long-term interest rates.

Preferred shares aren't for everyone, as long-term capital appreciation potential is sacrificed for a predictable, high dividend yield. However, this very characteristic makes them attractive to retirees who want income, but seek stability in their investments. I advise anyone seeking income in retirement to always employ a handful of strategies; preferred stocks can be one contributor to your overall yield game plan.

To get your feet wet with this income idea, check out the iShares U.S. Preferred Stock ETF (NYSEMKT: PFF). This \$12.7 billion fund invests in preferred shares for you, carries an expense ratio of 0.47%, and currently yields an attractive 5.5%.

Dan Caplinger: Some would argue that any investing strategy involving options can't be simple, but as a way of controlling risk and boosting income, the covered-call options strategy has a lot of advantages for people in retirement. Many retirees have substantial portfolios of long-held stocks, some of which generate dividend income. If you've already reached your financial goals for your nest egg, then share-price appreciation is no longer a necessity, and you can afford to consider covered calls to boost your income.

How the strategy works is simple: You sell call options on the stocks you own, with the options giving the buyer the right to purchase those shares at prices above whatever the current market price of the stock is. If the stock rises all the way above that price, then the buyer will exercise the option, and you'll get a quick gain based on the rise in the shares. If the stock stays below that

price, though, then the option will expire worthless, and you get to keep the amount the buyer paid you for the option.

Depending on which options you choose, covered call strategies can easily double the effective income yield on your overall portfolio, boosting yields on dividend stocks and allowing you to get income even from stocks that don't pay dividends. With just a little experience, you can use a covered call strategy and increase your portfolio income markedly in retirement.

The \$60K Social Security bonus most retirees completely overlook

If you're like most Americans, you're a few years (or more) behind on your retirement savings. But a handful of little-known “Social Security secrets” could ensure a boost in your retirement income of as much as \$60,000. In fact, one MarketWatch reporter argues that if more Americans used them, the government would have to shell out an extra \$10 billion... every year! And once you learn how to take advantage of these loopholes, you could retire confidently with the peace of mind we're all after.

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