How to Make Money and Not Lose Your Savings

Anyone who has a little extra cash should be routinely putting something away for a rainy day, college for the kids, retirement or simply a better life. Traditional advice is that you can accept more risk and invest entirely in stocks when you are young and you should convert to less risk as in buying bonds as you age. But what are people really doing to make money and not lose their savings? *CNBC* writes about the **way to invest in your 20s, 30s, 40s, 50s and 60s**.

> *Needs change over time, and the investment mix that worked in your 20s might not be ideal as you get older. But one thing is clear from 401(k) plan data: Investors of all ages are increasing bets on the stock market compared to the way Americans invested for retirement in previous decades.*

A useful vehicle for this approach is called a target date fund. These are commonly used for 401k plans.

> *Vanguard's most recent How America Saves report, which uses figures from 3.9 million defined contribution plan participants, showed investors younger than 25 had an average of 88 percent of their defined contribution assets allocated to equity. Equity exposure dropped to 75 percent for those age 45 to 49, and 50 percent for 65- to 69-year-olds. Vanguard target-date funds have more than $500 billion in assets.*

The problem, unless you have earned so much money that you are filthy rich is to balance risk and potential reward. Ideally you would arrive at retirement and only need bonds and a few dividend stocks. But with interest rates as low as they are many need to keep at least half of their investments in stocks as is done by the Vanguard fund.

Safe and Secure Investments

Warren Buffett has famously said that the first rule of investing is not to lose money and the second rule is to always remember rule number one. Thus any investor should look to safety first and not lose their savings, especially in retirement. Here are thoughts we previously published about **safe investments for retirement**.

> *How much money can you spend every year in retirement and no run out? How long will you and your spouse live? And do you want money to be left over for the kids? Forbes writes about safe withdrawal rates so that you won't* ***run out of money in 30 years****.*

Traditional safe withdrawal rate literature regularly makes the assumption that retirees will choose a withdrawal rate that will leave precisely no wealth after the final withdrawal in the thirtieth year of retirement. Retirees cling to the inflation-adjusted withdrawal amounts, which leaves them playing a game of chicken as their wealth plummets toward zero.

The writer looks at three scenarios:

1. *The classic case in which wealth is depleted after thirty years,*
2. *The case in which the nominal value of retirement date wealth is preserved after thirty years, and*
3. *The case in which the real inflation-adjusted value of retirement date wealth is preserved after thirty years.*

Read the article for the calculations. In regard to the three scenarios what are safe investment for retirement? You will want growth, cash and stability. That takes us back to solid dividend stocks but also bonds and a portion in cash. But the bottom line is to look at what you are doing, not pay excessively for someone to manage your money and only spend what fits in your live thirty more years and beyond budget.

And always remember to pay attention to what you have, what you are spending and whether your pool of assets is appreciating or being used up.

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