

The perils of growing younger



New York, United States - Bill Gates (left) and Warren Buffett - a successful investor past retirement age - speak with journalist Charlie Rose at an event organized by Columbia Business School on January 27, 2017 in New York City. Gates and Buffett spoke on a range of topics including their friendship, business, philanthropy, global health, innovation, and leadership. (Photo: AFP)

Nope, I didn't make a mistake in the title; that was just to get your attention. Unfortunately, in this world we have only two options - you either die or you get older.

This article is for those who plan to get old or are on the other side of 50. I may not be there yet, but I have had the privilege of having many “younger” people as friends. There was a time when none of these friends were under 85 years old. Through them, I gained much wisdom and was mentored through serious life decisions. However, some of them made missteps which I hope to help others avoid when they approach the same stage.

Rule # 1

Make certain you have your own house. Years ago, many ladies would have left financial matters to their husbands and indeed may not have had a lot of assets. However, too many of my “younger” friends in their golden years have had to be shuttled from house to house in a move that is stressful and even traumatic at that stage in life. If you already have a house, hold on to it, please!

Rule # 2

Don't be too generous. It is natural, especially as mothers and nurturers, to want to help your offspring. This includes giving them generous monetary gifts, usually to give them their start for their tertiary education, married life, your grandchildren, their start-up businesses and various other things.

But I have also seen where “younger” people sell their houses at a generous discount to their children. Even worse, their children have a bright idea to start a business that is pretty much destined to fail, yet they lend these children their life savings.

As expected, the business often fails, the parents are left with no savings, and guess what? You can't borrow to retire!

Rule #3

Don't be too trusting. It is a sad fact that sometimes our own flesh and blood will let us down. Oftentimes, as we grow old, we are less mobile and therefore more dependent on family to transact business. For example, your daughter may be a lovely person, but your son-in-law may not be so lovely.

There can sometimes be pressure from the son-in-law on your child to use funds when access is available to your bank account. You can literally wake up to see your money totally cleaned out from the account. This means you really shouldn't have put all your eggs in one basket!

Rule #4

Don't be too cautious! No, this does not contradict rule number 3, because here I am referring to your investments.

Life expectancy in the US is 81 for women and 76 for men. It dipped for the first time in 2016, but in general it has been rising. Remember, these are averages, which implies that people are in fact living well into their nineties. It is very easy to outlive your money.

This is why it is so critical to invest wisely. It is a good idea to invest in bonds with attractive coupons that pay semi-annually to help defray expenses. A US dollar-denominated bond is the best choice.

Don't fear long-dated bonds as you can sell them when you need funds, although in a rising interest rate environment (which we are in now) each increase in rates will decrease the value of your bonds. However, you should focus on income generation and capital preservation.

Rule #5

Be nice to your friends and family. The golden years are the most vulnerable time of your life, even more so than when you were a little baby. At least then you were little and cute! However, a good disposition and remembered kindness will help to smooth the path for your loved ones to give you the care and attention that you need and deserve.

Rule #6

Save like crazy! At this point in your life, your child or children may be anywhere from 30 years and up. Unfortunately, due to the changing times, most children are being squeezed financially. They have obligations to take care of their own families, and oftentimes they simply do not have the funds to care for you and their families!

This is a serious matter, as the golden years are extremely expensive. Typically there is no insurance, and the medical bills are off the scale. This is exacerbated by the times when round-the-clock nursing is required, and this is extremely expensive.

It is a smoother transition when you can use your own funds to pay for your care, thereby lessening some of the stress on the family.

Lastly, remember that we will all get there one day if we're lucky. If your family is not co-operating, you can always threaten to write them out of your will! In the meantime, live every day to the fullest!

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Published: The Sunday Observer - February 05, 2017

Retrieved from: http://www.jamaicaobserver.com/business/The-perils-of-growing-younger_88474