Build Your 'Cash' Account Before Retiring

If you're going to retire in the next few years, you'll want to start thinking about making some changes to your investment portfolio. And one area you may want to look at is whatever type of cash account you might have – because, when you're retired, the amount of cash you have readily available may be even more important than when you were working.

Your cash management account could pay a slightly higher rate than a typical savings account, as well as serving as a holding place for funds that may eventually be transferred to other investments. Furthermore, it can provide you with these benefits:

• **You can pay for emergency expenses.** You might be retired, but life goes on – and life is full of unexpected expenses, such as a new furnace or a costly auto repair. It's a good idea for retirees to keep at least three months of living expenses in a separate cash account, which can help pay for emergencies without forcing you to dip into your longer-term investments.

• **You can save for a short-term goal.** You may have several short-term goals, such as a long vacation or a kitchen remodeling project. If you are trying to reach this type of goal within a year or two, you may want to start moving funds into your cash management account. For goals with longer time frames, you may want to consider using other types of investments appropriate for the specific goal and your risk tolerance.

• **You can protect some money from market volatility.** When you're a long way from retirement, you may not be particularly bothered when the financial markets drop, leading to a decline in the value of your investment portfolio. However, once you're retired, those downturns might not be quite so tolerable. As a retiree, you may want to maintain one year of expenses (adjusted for outside income sources such as Social Security) in a cash management account for spending purposes. Knowing you have this cash set aside may help you feel more comfortable when markets are volatile. Nevertheless, holding too much cash has risks of its own. Retirement can last for more than 30 years, so you'll want to be invested in enough equities and fixed-income vehicles to provide your portfolio with the balance and growth potential necessary to help you avoid outliving your money.

As you can see, building your cash management account can be helpful in several ways. So, in the years preceding your retirement, look for opportunities to add to this account. For example, you could use some of the money from a tax refund or a bonus at work. And, if you haven't already done so, you might direct your bank to move a certain amount each month from your checking or savings account into your cash management. When you're retired, do what you can to replenish your cash account as much as possible.

Your cash management account is important at every point in your life, but it may take on even greater meaning when you're retired – so do whatever you can to keep it in good shape.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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