Ready For "Robo" Advisor?

By Evelyn Preston

You've heard it before: "I'm so busy since I retired; when did I ever find time to work! Savvy seniors know that positive pursuits—exercise, friendships, hobbies, etc.—can add to longevity.

Also consider the hours to inaugurate hearing aids, revamp old dental work and schedule physical therapy for a bad knee or back. Many of these inevitable "extras" often cost extra as well. Aging calls for extra awareness of financial bottom lines to enjoy the "good life" and to pay for it.

Q: With ever more technology, what are the advantages for using an automated "robo" financial advisor?

A: For the younger set or people comfortable with technology, these computerized platforms for investment management and advice can offer the same services as any financial professional and negate the emotion involved in "doing it yourself."

Formerly only available to high net worth individuals, "robo investing" hails the bringing of specialized investment strategies and today's high frequency trading to the small investor. Web based and for mobile devices, these technical platforms offer low cost, low minimums, dispassionate choices and diverse plans.

Check comparisons and ratings of several web-based companies via www.InvestorJunkie.com with links to help simplify this complex new world of investing. WealthFront, Betterment, et al are highly rated, on-line companies along with Blooom which just manages 401Ks. There's no need to switch from a current portfolio, "robo investing is merely a program overlaid on existing investments.

Q: Could you offer suggestions for "planning ahead?"

A: You can always revise plans and dates but it's effective to devise a template well ahead of critical money moves mandatory in retirement. Past A050 columns discussed each of the following:
1) Irrevocable decision making: Social Security and pension start dates; taking lump sum or monthly payouts (or a mix); ditto for annuity choices; yearly "gifts" to family.

2) Cost comparison of moving/downsizing/retirement community living—"home" work required.

3) Big ticket purchases: a new car, home repairs, large appliances while still earning income.

4) Stashing cash for "just in case" emergencies or a down market during retirement.

5) Tax-rate diversification among different investment vehicles.

Q: What are some overlooked financial issues especially related to seniors?

A: This repeat question prompted general reminders that spending in retirement probably won't be less—just different; that "safe" (cash, bonds) money, may not keep up with the growth (stocks, mutual funds) assets needed for longer life expectancy and that healthcare costs will soar.

Specifically, age and activity often lead to physical problems that require stays in hospitals and/or rehab facilities. Brochures warn not to bring wallets, jewelry or money. Remember that debit cards guarantee immediate losses if lost or stolen.

Q: With Bay Area housing prices sky high, wouldn't this be a great time for a reverse mortgage?

A: With increased home equity in the Bay Area, seniors might access some of this built-up cash to cover special needs/wants: home maintenance, travel, medical bills, helping the kids, etc. While greater safeguards have improved reverse mortgages over the years, the overall costs are significantly higher than a regular pay-as-you-go mortgage and aren't feasible for smaller amounts i.e.: $100,000 loan. Off-setting the advantage of paying back later—at sale, a necessary move or upon death—borrowed principle and accrued interest must be repaid by owner or heirs. Check www.Hud.gov.

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