

How to afford travel in retirement

Harold Wong, AdviceIQ 8:11 a.m. EST February 1, 2015



(Photo: Digital Vision, Getty Images)

If you're like most people who think about retirement, you probably imagine traveling in your golden years. Before you browse Acapulco websites and whip out the credit card to buy your ticket, make sure your finances can handle your trip.

First, don't wait to fulfill your dream. Enjoy the items on your bucket list now while you are healthy enough to walk easily. If that list involves extensive travel that's suddenly possible with free time after working, realize that seeing the world isn't cheap.

You can do two things to afford it: increase your spendable income and decrease your travel expenses.

The bonds trap. In today's virtually zero-interest world of bank accounts, increasing income can be a huge challenge. You either risk your savings in the stock market, hoping for more-or-less continual appreciation of your equities, or you go into bonds.

Except bonds might well be the next big crash. If interest rates finally rise from today's historical lows, bond values will decrease substantially. In June 2013, the well-known brokerage firm Oppenheimer issued a report entitled "[Effect of Higher Rates on Fixed Income Portfolios](http://fa.opco.com/facilitypdfs/ohfchimenti6274a46b-5056-a100-4843537fcdc97434.pdf)," (<http://fa.opco.com/facilitypdfs/ohfchimenti6274a46b-5056-a100-4843537fcdc97434.pdf>) widely taken as a warning about bond investments.

As noted in the report, an interest increase of three percentage points will nearly halve the value of a 30-year U.S. Treasury bond; a jump of only one percentage point will cause an 18% drop in this bond's value. You take a big loss after even the smallest budge upward in rates.

You have options. Consider a personal pension, where you contribute part of your savings to a financial institution that in turn invests your money to build a lifetime pension for you at retirement. These pensions are based on actuarial principles that offer a higher cash flow than most alternatives.

For instance, if you are 70, deposit \$200,000 and wait five years to start withdrawals, you can often get about \$17,000 to \$18,000 of annual income for the rest of your life. This can fund a lot of travel, particularly when you mix one big foreign trip with two cheaper domestic ones each year.

Look for bargains. You can find many websites to one-click breaks on airfare, hotels, car rentals and all-inclusive packages. Innovative thinking helps, too: Just consider the [Gentlemen Host Program](http://www.compassspeakers.com/gentleman_host.html) (http://www.compassspeakers.com/gentleman_host.html).

The cruise industry has long known that older, single women constitute a significant share of shipboard vacationers. These women, often either divorced or widowed, enjoy cruises for the organized activities, lavish dinner and drinks and the entertainment after the dinner. Only thing missing: someone to dance with.

Gentlemen Host, a placement program operated through Compass Speakers and Entertainment, matches groups of such female travelers with outgoing, unmarried conversationalists – who preferably can cut a serious rug on the dance floor. The requirements of the hosts are extensive and activities strictly platonic; hosts' cruises are almost free.

How much of your nest egg and estate on travel? About three years ago, I met a couple in their 80s who had been educators in public schools. They retired about three decades before and took two cruises each year since.

With only some \$80,000 saved for retirement through their entire lives, the couple relied on generous teachers' pensions and Social Security to fund extensive travel. They estimated that they spent slightly less than \$700,000 on the cruises – but the trips were a big life dream.

The couple expected to leave nothing except their house to their kids.

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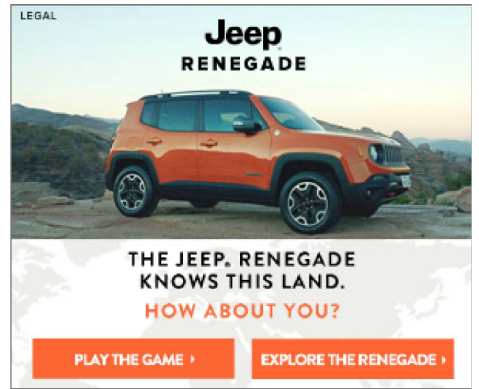
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