NEED TO KNOW: INVESTMENT BASICS IN RETIREMENT

- Overall, retirees often think they cannot invest as much as they actually can into different assets. The mix of those accounts depends on your age. Financial experts often suggest that 51 percent of your retirement portfolio should be stocks and 45 percent should be bonds. Five years in, those numbers should shift to 37 percent in stocks and the rest in bonds and cash.

- Another option is to invest leftover money from covering fixed expenses into a traditional balanced fund that has about two thirds of assets in stocks and the rest in bonds.

INVESTMENT ACCOUNTS

- Money market accounts: low risk, low reward investments. Typically, a small amount of interest is earned in these accounts. The risk with investments like this is they may not earn enough to beat inflation.

- Mutual funds: An investment vehicle that collects money from many investors and invests the money in stocks or other financial products. Mutual funds can be picked by their investments in companies from many industries. This reduces risk, but doesn’t eliminate it.

- CDs: Certificates of deposit are a secure form of time deposit, where money must stay in the bank for a certain length of time to earn a promised return. A CD, also called a “share certificate” at credit unions, almost always earns more interest than a regular savings account.

- Bonds: Bonds are less risky than stocks but still do carry a risk. Investing in bonds lends money to a company or government entity. In return, the bond issuer promises to pay interest every year until the bond reaches maturity and the issuer pays back the loan.
  - Municipal bonds: for retirees in higher tax brackets, owning tax free municipal bonds can grant a bigger after-tax return than they would get owning a 10-year Treasury.
  - Total bond fund: invests in virtually every type of bond imaginable, ranging from Treasuries to high rated corporate bonds to junk. These funds own a broad mix of bonds with different maturities, risk profiles and yields.

- Stocks with dividends: while stocks are more volatile than bonds, equities are increasingly being viewed as a way to generate income. Individual stocks pay much richer dividends. The case for generating income via stocks that pay dividends is that you earn income but also have potential to profit from capital appreciation. Make sure to diversify these accounts as well, don’t just buy into high dividend payers, the risk of