MarketWatch Follow

I'm in my mid-70s and just got a new income stream. I don't need it. What should I do with it?

Story by Alessandra Malito • Jul 20

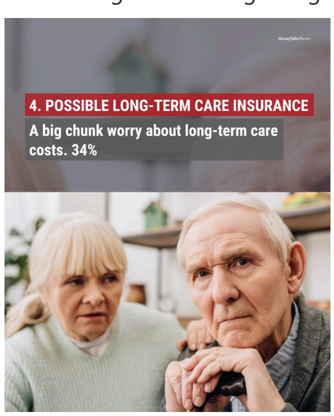
MARKETS TODAY ···

DJI ▼ -0.67%   INX ▼ -0.64%   COMP ▼ -0.55%

I'm in my mid-70s and just got a new income stream. I don't need it. What should I do with it?

HELP ME RETIRE
Dear MarketWatch

Related video: The 12 Greatest Fears Facing Workers Regarding Retirement (Money Talks News)



I am in my mid 70s, retired and living in Florida. Through a lot of good fortune I recently was able to assist my daughter in purchasing her first home. My revocable trust, of which she is a beneficiary, holds her 30-year mortgage. She pays me the monthly payment. I do not need this money to live on so I am wondering what to do with this money. It's a new income stream for me at this late stage I never expected!

I am not a sophisticated investor but I do know that leaving it in a basic savings account is a mistake. Since I don't need the income, I can take on some risk. I also know that time is a powerful factor here. Ideally I would like to leave this fund for her retirement, as she is an independent contractor and has no personal retirement program set up. Can you suggest appropriate products that would require minimal attention? As I mentioned I am a neophyte investor.

Many thanks,

Befuddled at this stage

See: I'm retiring next year with $1.2 million, a house and a farm — do I still need life insurance for my wife if I die?

Dear Befuddled,

What a great situation to be in!

I'm not a financial planner — specifically, I'm not your financial planner — so I can't suggest what is the appropriate product for you personally, but I can tell you a few approaches to consider. My first suggestion would be to consult with a qualified financial planner, who can provide advice based on your actual finances, needs and wants and offer suggestions on specific products to pursue.

assets would be valued at the fair market value on the day you die, which is a benefit come tax time for the inheritor (she'd most likely have less to pay in capital gains as a result).

Tax-efficient portfolios include those with investments like mutual funds and exchange-traded funds, according to T. Rowe Price.

You're right in that if you don't need the money, you don't need to be as conservative with it.

"This is money they don't 'need,' so they can take more risk, especially since it is ultimately meant for a younger generation," said Brandon Gibson, a certified financial planner at Gibson Wealth Management. A diversified global stock exchange-traded fund or index fund is linked to an index, and are portfolios that imitate a stock market index (think S&P 500 or the Nasdaq Composite).

For those investments, you can simply go with a dollar-cost averaging strategy, which is when you regularly contribute money to the portfolio over time (as opposed to buying in at one time).

If you wanted your money to accrue before jumping into anything, another product to consider could be a CD. Right now, some CDs have interest rates of about 5.5%, which may come as a surprise, since those rates have been so low for so long. This would only make sense after you have enough money to deposit to make it worthwhile, of course, and it isn't clear what the rates might look like at that time. Here's a little bit more information about CDs, and how to choose the right term.

Helping your daughter with her own retirement savings is such an amazing gift, especially considering her work circumstances. Not everyone has access to a retirement plan at work, such as when they're independent contractors, so for her to have something like this to fall back on is so important. Just make sure all of your own financial affairs are in order, such as having enough in an emergency fund or setting aside money for future medical expenses. You don't want to possibly lose that extra income or lock it up in a way that you'd have to pay a penalty to access it, should you end up needing some of it.

Readers: Do you have suggestions for this reader? Add them in the comments below.

Have a question about your own retirement savings? Email us at HelpMeRetire@marketwatch.com

NEWS POLL

Do you agree or disagree that time is a powerful factor when investing?

- Agree
- Neutral
- Disagree
- Other / No opinion

NEXT