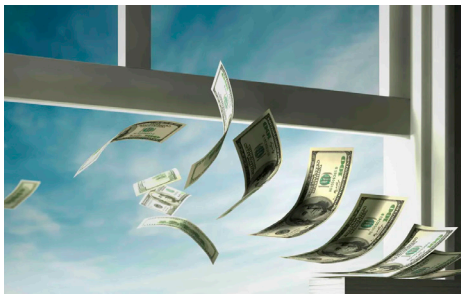


# Kiplinger

## 12 INVESTMENTS NO RETIREE SHOULD MAKE

In retirement, when it's wise to take fewer risks with your nest egg, some investments are just nuts.



By: David Rodeck - April 24, 2025

After a lifetime of hard work and saving, you're at the retirement finish line. Instead of a paycheck, you're relying on your nest egg and investment income to cover the bills. Picking the right investments is even more important, as you won't have much chance for a do-over.

"You made it to the top of the mountain through a systematic approach and are trying to make your way down safely," says retirement planner John Gillet in Hollywood, Fla. "Why throw all caution to the wind and try something different now?"

You should minimize losses and preserve your wealth, as you don't have the time to recover if an investment goes south. "A stretch of just one or two bad years can really set back a retirement plan," says Ron Tallou, an adviser in Troy, Mich. On the other hand, since retirement can last decades, you need to invest for some growth and shouldn't go all cash.

### Know your needs

A successful retirement investment strategy should accomplish a few goals. First, you want to create steady, dependable income year after year. For that, you need investments that generate cash flow. Your portfolio also should be relatively liquid so you can pay for sudden major expenses such as healthcare or home repairs.

Diversification can help reduce losses because it spreads your money across various performing assets. Ideally, your investments minimize taxes and fees, so more money stays in your pocket.

High-dividend blue chip stocks, diversified mutual funds and exchange-traded funds, investment grade bonds, certificates of deposit and money market funds meet these criteria. They offer some growth, generate income, are liquid and protect against unnecessary investment risk.

### Avoid the 'shiny ball'

On the other hand, plenty of investment options offer the complete opposite: they have high fees, lock up your money, are complicated to understand and have a high probability of losing money. Surprisingly, investments with these traits can be appealing. "People get shiny ball syndrome and chase what's in the headlines," says Gillet.

When you're retired, you likely have more time to research, which can lead to trouble. "Retirees consume more media,

especially 'serious' media like the news," says Teresa Bailey, a certified financial planner in Nashville. Ads can promote investments that don't make sense. "If you're watching the news and an ad comes up, you might assume it's legitimate and vetted by the channel, but it's not."

Finally, your lifetime savings could put a target on your back for those trying to pitch investment ideas, whether from commission salespeople, friends or outright con artists. People over the age of 60 lost more than \$3.4 billion to investment fraud in 2023, according to the FBI's Elder Fraud Report.

### Just how 'nutty' is your investment idea?

What should you watch out for specifically? Here are a dozen investments that can get retirees in trouble, rated on a one-to-four scale: one peanut for an investment that is somewhat unwise to four peanuts for the nuttiest.

#### 1. Income property (one nut)

Real estate has been an excellent investment over the past few decades, and income properties can generate income along with considerable tax breaks. But buying an investment property means tying up a substantial amount of your savings in one, illiquid asset. If you need to cash out quickly, you might be forced to take a haircut.

And making money can be a lot harder than you think. "Let's say you're trying to do a buy and flip. Are you going to be tearing up the floors yourself? Contractors often eat up all the profits," says Tallou, the investment adviser from Michigan.

Retirees who try their hand at rental real estate discover it's more work than they thought. "They want to maximize cash flow, so they try to do everything themselves without paying for a management company," says Bailey. That means it's up to you to keep finding tenants and sorting out issues like broken-down plumbing.

If you've been investing successfully in real estate all your life, then by all means continue. But it's probably not something you want to test out for the first time in retirement. Instead, consider a real estate investment trust (REIT). These operate like a mutual fund but for real estate, pooling the money of investors to buy many properties. You get some of the investment benefits of real estate for a fraction of the work.

#### 2. Individual stocks (two nuts)

Retirees and investors in general should avoid investing in highly concentrated positions, especially individual stocks, says Matt Fleming, a wealth adviser and certified financial planner with Vanguard. "Should something bad happen to that one sector or one company, it will be highly disruptive."

When you start trading individual stocks, it's harder to control your emotions and not, for example, panic sell after a downturn or take too much risk during a bull market. Mutual funds and ETFs minimize this risk by spreading your exposure across hundreds, if not thousands, of investments. They also take the tough trading decisions out of your hands

during stressful moments.

If you do decide to invest in individual stocks, stick with more established, brand-name blue-chip stocks of large companies rather than high-risk speculative penny stocks. You should have no more than 5% of your portfolio in a single stock and your portfolio should have at least 15 different stocks for diversification, recommends brokerage house Edwards Jones.

#### 3. Alternative investments (two nuts)

Alternative funds include hedge funds, private equity funds, private credit and venture capital. They may promote higher historical returns than you could earn in a publicly traded mutual fund, but fees can also be very high. For example, hedge funds are infamous for their historical 2/20 fee structure, where they charge 2% of your investments each year plus 20% of any earnings.

You need a considerable minimum contribution, often \$100,000 or more, and you won't see it for a while. "You might be locked up for one to two years before you can cash anything out, and even then, they only give you the money back in installments," says Tallou.

These alternative investments could make sense for any money you plan on leaving as an inheritance, says Nayan Lapsiwala, a certified financial planner and director of wealth management for Aspiriant in Mountain View, Calif. But they aren't appropriate for retirement savings.

#### 4. High-risk, high-fee mutual funds (two and a half nuts)

When you buy into a mutual fund or ETF, you pay an annual management fee as a percentage of your contribution. Not all funds are worth the price of admission.

"If it's a domestic equity fund with an expense ratio over 1% or an international fund over 1.5%, you need to question why," says Lapsiwala. "Either the fund is not performing well, or the assets under management are too small."

Also, beware of leveraged mutual funds and ETFs. These funds amplify the returns and losses of a target market index, like the S&P 500. A 2x leverage fund doubles gains and losses. A 10% market swing becomes 20%. A 3x fund triples the returns and losses. While the upside is tempting, bet wrong, and you're staring down massive losses. That's too much risk when your portfolio doesn't have much time to recover.

#### 5. Variable annuities (three nuts)

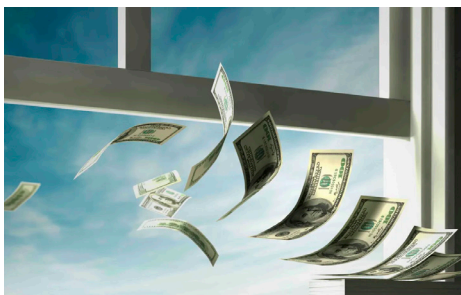
An annuity is an insurance contract designed to grow your money and then repay it as income. There are different versions. An immediate annuity turns your lump sum into future guaranteed income payments, like your own personal pension. They are simple to understand with no or small fees. Fixed annuities pay a guaranteed interest rate over a set period to grow your money, like 5% a year for five years. These options could make sense as part of a retirement plan.

A variable annuity, on the other hand, invests your savings in mutual funds. While you can buy riders that guarantee a

# Kiplinger

## 12 INVESTMENTS NO RETIREE SHOULD MAKE

In retirement, when it's wise to take fewer risks with your nest egg, some investments are just nuts.



By: David Rodeck - April 24, 2025

minimum income, you'll be paying out the nose for it. "All in, the annual fees can be 3% or more of your balance," says Bailey, the planner from Nashville. "That's a huge withdrawal rate from your portfolio versus investing on your own."

The variable annuity will lock up your money for years. If you cancel early, you owe a surrender charge that could start at 7% or more of your annuity balance before gradually going down as time goes by. "Clients believe they can walk away with their contract value, but that's often not true," says Bailey.

### 5. Physical gold (three nuts)

If you regularly watch cable news or listen to the radio, you hear and see ads promoting gold as an investment. And that might seem like an option, especially with gold prices near an all-time record.

While gold bars or coins may look beautiful, they're much more expensive than the daily gold price quotes you see online. You must pay dealer commissions, storage, shipping and insurance to protect them. If you want to invest in gold with your retirement plan, you'll need to set up a specialty self-directed individual retirement account with even more fees. Gold prices can change dramatically, and gold generates no income. You can make money only by selling it.

"If you think the price of gold will go up, why not just buy a gold ETF?" asks Bailey. "This would track the spot price of gold, and you would avoid the fees and hassle of managing the gold yourself. And if you want physical gold for Armageddon, you should buy it as jewelry instead of a big gold bar stored elsewhere. At least you can carry it."

### 6. Day trading (three and a half nuts)

Successful investing can feel counterintuitive. It might seem like putting in more time, research and effort would boost your returns. But no. Professional fund managers rarely outperform the market over the long haul, and day traders have an even worse record. Studies have found that only about 1% of day traders are profitable long-term while 97% lose money because of higher trading fees, taxes and poor investment decisions.

Avoid high-risk, complicated strategies such as borrowing money to invest on margin, setting up complex options contracts or trading forex and commodity markets. If you're going to use a more advanced trading strategy, like protecting a stock investment with a covered call option strategy,

consider double-checking with a financial adviser first.

### 7. Crypto (three and a half nuts)

Bitcoin broke the six-figure barrier in 2024, setting another record. Considering that one coin sold for less than a penny 15 years ago, there are plenty of investors kicking themselves for not getting in earlier. But that's not a reason to dive into crypto for the first time now that you're retired.

Cryptocurrencies do not pay income, so you only make money from selling. The returns are highly volatile. Double-digit swings and losses are common. If you buy the wrong coin, you can lose the entire investment.

Digital currencies can also be complex, especially since there are over 11,000 on the market. "They require some specialized knowledge to understand and pick the right one. If you aren't a technology expert, the hurdles are significant," says Bailey.

### 8. A friend's new restaurant (three and a half nuts)

Many people see retirement as their chance to finally go into business for themselves, or with their friends. But that dream can quickly turn into a nightmare.

Running any business takes considerable time. "You might think you're buying something turnkey that runs itself, but if you've never worked in the industry before, you don't know for sure," warns Tallou. The business could take up a lot of your schedule, leaving less time for hobbies, travel and family.

Business costs add up quickly beyond what you budgeted. "It can turn into a money pit," says Tallou. Finally, if you go into business with good friends or family, you risk those relationships should the venture struggle.

### 9. Timeshares (four nuts)

If you go on vacation and someone offers you a generous meal to sit through a timeshare pitch, pass. Even if the timeshare salesperson says it's an investment, it isn't really. You aren't buying the land or real estate, but rather a contract to use the property a few times a year.

And getting out of the contract usually means selling for a loss to someone else. There are horror stories, too, of people getting locked into timeshares and simply giving the contracts away to stop paying exorbitant annual maintenance fees.

### 10. Collectibles (four nuts)

Collectibles like antiques, artwork, classic cars and stamps

are not realistic retirement investments. They don't generate income. They're expensive and difficult to turn into cash. They might make sense as a fun hobby, but not as a retirement investment strategy.

### 11. The lottery (four nuts)

You know that lottery tickets aren't a real investment. You're gambling for the small chance of a huge payday. But that's a similar arrangement to many of these investments listed above.

Of course, sometimes you feel like a nut. So if you want to roll the dice on any of the investments here, put in only money you can afford to lose, up to 5% of your net worth maximum, says Gillet, the retirement planner from Florida. "Think of it like enjoying a casino on a cruise. I had fun, I speculated and if it doesn't pan out, so be it."

### 12. 'No, Mom. Never!'

Bad investment advice can get personal. We asked financial experts what investment they would worry about the most if their 75-year-old mother brought it up.

**Ron Tallou, Tallou Financial Services:** "Variable annuities. If someone presented a variable annuity to my mother, I'd tear the contract up on the spot. I've yet to meet someone who said they were happy they put money into this."

**Nayan Lapsiwala, Aspiriant:** "I worry about financial scams. Be extremely careful if you're pitched anything over text or email from someone you don't know."

**Teresa Bailey, Waddell & Associates:** "Physical gold. At this point, I'd rather talk to my mom about Bitcoin than physical gold."

**John Gillet, Gillet Agency:** "Crypto would be on the top of the list. My mom and sister even came to me with crypto ideas because someone in the church investment club said let's all invest in a coin together. But crypto isn't an asset. With a stock, there's residual value with the company's buildings, fixed assets, and brand value. It's not likely to go to zero. Crypto easily could."

**Matt Fleming, Vanguard:** "Individual stock picks. We get influenced by the people we're eating dinner with who just made money and develop a fear of missing out. Remember, those dinner conversations don't include all the losers the other person invested in."

Ron Tallou is the founder and owner of Tallou Financial Services. Ron holds a Life/Accident & Health Insurance License, and Series 6 and 63 registrations as a representative of CoreCap Investments. Ron also holds a series 65 registration with CoreCap Advisors. Ron believes the financial service field gives him the tools to make others' dreams come true by focusing on wealth preservation and wealth accumulation.

To contact Ron, please call 248-712-6673 or visit [www.talloufinancial.com](http://www.talloufinancial.com).

Ron Tallou is a registered representative of and conducts securities transactions through CoreCap Investments, LLC. Advisory services offered as an investment advisory representative of CoreCap Advisors, LLC. Tallou Financial Services is a separate entity and not affiliated with CoreCap Investments or CoreCap Advisors. The information provided here is not investment, tax or financial advice. You should consult with a licensed professional for advice concerning your specific situation.

