

## IRA Options for the Risk Averse

An IRA is an extremely flexible tool for retirement savings. While offering a tax deductible contribution or, in the case of a Roth IRA, a tax-free distribution, IRAs also provide you with a flexible 'basket' that can hold different securities and investments. This flexibility makes it a very attractive retirement account option to both risk friendly and risk averse investors.

### Investing for the Risk Averse

The recent, staggering decline in the stock market has gone far in creating a new appreciation for low-risk investing. If you have a new IRA with funds waiting to be invested or an old IRA with additional contributions sitting in a money market, you might wish to consider some of the following low-risk options.

**Guaranteed annuities:** While an IRA cannot hold a life insurance policy, it can hold an annuity. Guaranteed annuities offer a guaranteed rate of growth during the accumulation period and often have other benefits like death benefits and guaranteed minimum income benefit. This makes them not just low-risk investments, but also dependable sources of retirement income.

**Certificates of deposit:** Certificates of deposit (CDs) offer long-term fixed rates that are not competitive with higher risk investments, but they offer a guaranteed return and are FDIC insured up to \$250,000. Be careful getting locked into a low, long-term rate while rates are low. Instead, consider short term CDs until 5 and 10 year rates improve.

**Bonds:** There are many low-risk corporate bonds you can purchase in your IRA. Although many municipal bonds are also a low-risk investment, it is not always a good idea to buy them in an IRA. The reason for this is that municipal bonds offer lower coupon (interest) rates because they are tax exempt when purchased within your state. In an IRA, any bond grows tax exempt. So, it is more advantageous to purchase higher coupon corporate bonds that are still considered low risk.

**Mutual funds:** Mutual funds are managed collections of equities and other assets. Groups of investors buy shares of the mutual fund, their investments are pooled, and the mutual fund manager then invests the pool into the mutual fund's portfolio, expanding its ownership and potential for profit. Mutual funds are not inherently low risk, but there are many funds that have been created with the low-risk investor in mind.

**Bond funds:** Bond funds function in the same way as mutual funds. Instead of the underlying assets consisting of equities, they consist of low-risk corporate bonds.

No matter what type of investment you decide is right for your IRA, it is important to discuss the account and the investments you plan to buy with your financial advisor. He or she can ensure you buy the right low-risk investment.