*"If you are within a couple of years of retirement, you will want to know the answer to this critical question."- Lawrence Castillo*

***'Layin' it on the line'***

Here in New Mexico, it isn't unusual for someone ordering Mexican food to be asked, *"Red or green?"* In fact, *"Red or green?"* was adopted as the official state question in 1999. (*Did you even know such a state question existed?*) Chile is the fiery soul of New Mexican food, and everyone here has their opinion about which chile sauce goes best with which dish.

I like to ask my clients and prospects the same question regarding their retirement savings. "*Do you prefer green money or red money?*" Red money, I define as that portion of savings a person is willing to expose to market risk. With red money, you accept the possibility of losses, even significant ones. The desire to chase after market gains is perfectly understandable given our current low-interest environment that punishes savers. Nevertheless, risking your life savings in hopes of getting (often mythical) higher returns may not be the ideal decision for those who are within a few years of retiring. That’s because when you choose red money, your wealth is exposed to both upside and downside risk.

On the other hand, green money is the portion of your savings you want to safeguard. Green money is cash used to create income streams that provide you with more safety and peace of mind. Green money is for those who are unwilling to accept even small losses. Instead, green money people add products offering lower rates of return in exchange for low to no market risk. Real green money has no downside risk and only upside potential.

Choosing red or green is not black and white. Despite what you may have heard from your advisor or some TV money guru, neither red money nor green money is inherently bad or good. After all, you are an individual with your own level of risk tolerance and unique money goals. What you need your savings to do when you retire may be very different than what your friend, neighbor, or co-worker needs.

Knowing this, you shouldn’t be asking, *“What’s better, red or green money?”* but rather, “*What percentages of each type should I have in my portfolio to achieve my goals?” “What portion of my cash am I comfortable with exposing to risk?” “What do I ultimately want this money to do for me?”* If you’re wanting to move forward slowly and consistently, instead of getting caught in a cycle of two steps forward, three steps back, you’ll need to examine products that can help you accomplish that.

For example, certain types of life insurance and annuities offer you the possibility of creating predictable retirement income with little to no risk exposure. Exploring your safe money options is not only prudent but necessary as we continue to experience market upheavals and a precarious and unpredictable economy.

***SUMMING IT UP***

A successful retirement requires that you know with what percentage of risk you are most comfortable with, how much you can afford to lose during a market downturn, and what you want your wealth to accomplish. How much red or green money you put into your portfolio is a critical decision that every retiree needs to make. A seasoned retirement income planner can assist you in making that decision and ensuring that every one of your dollars does the work of three or four.

Lawrence Castillo is a member of Syndicated Columnists, a national organization committed to a fully transparent approach to money management.

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