

What's the Hurry? Financial Decisions That Can Wait

If you have ever been pitched an investment, you've probably been on the receiving end of a "limited time" offer—the kind where you have to act now or forever lose your chance of participating in a great opportunity.

In fact, there are many financial decisions best made by procrastinators. The longer the wait, the better they turn out, like some fine wines.

Here are some financial moves that are just as well delayed.

- Transferring from a traditional individual retirement account to a Roth IRA. When you move money from a tax-deferred IRA to a Roth, you have to pay income taxes on the amount you move. If you do that at mid-career, you're likely to be paying at a top tax rate, and perhaps even limiting the amount of new money you can invest while you pay taxes.

That is why many financial advisers tell their clients to wait until they retire to move the money to a Roth. Your taxable income (and income tax rate) is apt to be lower. You can move just enough IRA money over every year to keep yourself in your lower tax bracket, and still have years and probably decades to allow the Roth money to grow tax-free throughout your retirement.

- Buying TIPS. Treasury inflation protected securities are designed to do what they say – protect your money from rising prices. So the rates these bonds pay are derived by putting together one rate, set at U.S. Treasury auction, and a second rate that is based on the rise in the Consumer Price Index. But, guess what? Even though consumer inflation has been extremely moderate of late

(it went up 1.7 percent for all of 2012), bond buyers are so worried about inflation and financial security that they have bid up these Treasury bonds to the point where they have a negative yield. If you wanted to sell TIPS before maturity, you'd get less back than you paid for them.

"It's hard to see the benefit of most TIPS now," Michael Fredericks, a managing director at investment management firm BlackRock Inc recently told me in an interview.

The solution? Wait until you see bond buyers stressing less, inflation showing up and better TIPS prices before you buy, says Jack Otter, author of "Worth Worth it? Simple & Profitable Answers to Life's Tough Financial Questions." He says, "Odds are you are not going to get punished for waiting on TIPS and if fear subsides, there might be a much better opportunity."

- Buying a fixed annuity. Annuities are like flat-screen televisions. They keep getting better and cheaper. As baby boomers move into retirement, the insurance industry keeps improving the quality of retirement-focused products they sell. Fixed-rate immediate annuities, which allow retirees to trade a sum of money for guaranteed income for life, have been improving in quality and their fees have been falling. Because of the current low-interest-rate environment, however, they aren't offering much in the way of payouts.

Furthermore, the older you are when you buy a fixed annuity, the bigger your monthly benefit. If you think you want to annuitize part of your retirement, set aside the money now and watch rates. The longer you wait, the more likely you are to find higher payouts, lower fees and a better constructed annuity. If you can't afford to wait, take a portion of your kitty and buy a small annuity. Wait a few years to buy your next one.

- Paying off that mortgage. Should you hurry to kill your loan by paying extra principal every month? Not usually. Homeowners who have been able to refinance now are sitting on long-term loans at rates around 4 percent, 3 percent or even less. Hold that loan as long as possible, make the regular monthly payment and use extra cash to build a rainy-day fund or invest. At the end of the day you are likely to end up with more money than if you just paid it off early. And you'll be able to use those emergency funds without paying higher interest to borrow new money next time you need to fix the roof.
- Buying the new car. Unless your car is actually rusting out from under you and costing you thousands of dollars a year in maintenance, there's little harm in replacing it later. Otter tells readers to defer the car purchase and use the extra cash to take a vacation. While that may sound like a questionable financial decision, it isn't. There's solid research behind the idea that people are happiest when they spend their money on experiences, instead of things, so don't put off that family trip. It's a limited time offer.

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