

How Retirees Can Get Financially Fit

Here's how to bulk up your emergency fund, shed debt and accomplish other money power moves

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AARP

Published May 15, 2025

You don't have to pump iron to get fit — financially fit, that is. With a little bit of effort, focus and discipline, retirees can achieve key financial goals.

Still, [living on a fixed income](#) in retirement can make it challenging to adapt to rising costs, expensive medical care and other [curveballs life throws your way](#). But with the right financial fitness regimen, you can ensure that money worries won't drag you — or your nest egg — down.

Here are five expert-recommended ways to whip your finances into great shape in retirement.

Build endurance: Make your budget go the distance

It's a marathon, not a sprint, as the saying goes. When it comes to your money, this means making sure your savings will be sufficient to [carry you through your retirement years](#).

“Cash flow is key for retirement,” says Peter Gallagher, managing director of Unified Retirement Planning Group in Briarcliff Manor, New York. “Because of [inflation](#) and things like that over the next 20 years, it's so important to make sure you're not [overspending](#), because you have a fixed amount of money.”

[Making a budget](#) doesn't have to be complicated, Gallagher says. “You can just use a simple spreadsheet,” he says, or a budgeting app such as EveryDollar, YNAB (the acronym stands for “you need a budget”) or Monarch.

At its most basic, a budget is just the sum of your monthly income streams minus the sum of your [monthly expenses](#) and debt payments. Log both sets of numbers into a spreadsheet or app and you can quickly see how much money you have left over or if you're [living beyond your means](#).

For expenses like property taxes or insurance plans that aren't billed monthly, Gallagher says, take the amount you pay annually and divide it by 12 to determine the monthly cost. Set that money aside every month — perhaps by transferring it into a savings account linked to your checking account — so you'll have the funds available when the bill comes due.

And don't forget to include in your budget expenses for which you've [set up automatic payments](#), he adds. While automated bill payments can be convenient, they can also make it easy to forget or overlook how much you're really spending.

If you had a household budget when you were working and haven't updated it, it's a good idea to revisit it in retirement, says Rick Kahler, founder of Rapid City, South Dakota-based Kahler Financial Group and a certified financial therapist. "The expenses may not include some of the things when you were raising a family or working a job, but there might be some [new expenses](#) that come in," he says, such as [travel](#) or medical costs.

Core work: Save an emergency fund

Just as strong abdominal muscles stabilize your body, a cash stash can keep your finances steady when life knocks you off-balance. While having [401\(k\)](#) or IRA investments is great, in the event of an emergency such as an unexpected [car repair](#) or medical bill, you don't want to have to dip into your nest egg, especially if you're under age 59½ and could get hit with an [early withdrawal penalty](#).

"There are three big unexpected drains on income: [house repairs](#), family expenses and unexpected personal expenses. You need to have a backup of money that's put away for that stuff and not touched," says John Migliaccio, president of Maturity Mark Services, a gerontology research and consulting company in White Plains, New York. "You have to build in some capacity to absorb ups and downs."

Your [emergency fund](#) should be separate from money you keep in nonliquid assets such as investment accounts, Migliaccio notes, because you want to be able to access the cash at a moment's notice if you need it.

Many financial pros recommend an emergency fund of six months' worth of living expenses — an amount you should have available once you've made your budget.

If you're starting with a much smaller savings balance — or nothing at all — one of the most effective ways to build up your rainy day fund is to set up automatic contributions into that account, Migliaccio says. "Make the money disappear before you want to spend it," he says.

Cut the fat: Pare down your debts

Just as it takes time to see the effects of your exercise regimen in the mirror, paying off your debts is an incremental, long-term process. "Debt management is a struggle for many folks, including folks in retirement age," says Alex Becerra, community development specialist at SAFE Credit Union in Sacramento, California. If you have high-interest debt, such as outstanding [credit card balances](#), eliminating it can make managing your money easier because you won't be making monthly payments to service that debt.

"One mistake people make is they may try to chip away at all of those debts equally, but that typically isn't a recipe for success," Becerra says. "They should focus their debt pay-down strategy on one debt at a time."

There are a couple of approaches you can take to tackle your debts one at a time. Some experts suggest paying off your smallest debt first. After eliminating that debt, take the amount of that monthly payment and apply it to your next-largest debt and so on. This is referred to as the "snowball method."

The psychology behind the snowball method is that paying down a balance in its entirety is supposed to increase your motivation. While that may be, it makes more sense, from a savings perspective, to eliminate the debt with the highest interest rate first, then put that money toward your debt with the next-highest interest rate and so forth — an approach referred to as the "avalanche method." "It takes a longer time to see the positive results, but what it ultimately does is it saves people more money in the long run," Becerra says.

If you want a tangible source of motivation to keep you on track, Kahler suggests making one for yourself. "Create a spreadsheet that shows how quickly the debt is going to go down," he says. "Having it physically in front of you can provide a lot of motivation."

Heavy lifting: Get help from a pro

Just as scheduling a few sessions with a personal trainer at the gym can help you

establish a good workout routine, consulting a financial planner can help you make sure that your finances are in good shape or that you're making progress toward that goal, especially as your retirement finances change over the years.

"What's really critical and helps people stay on top of those changes is to really have an ongoing check-in to continually evaluate your income versus your expenses," Becerra says. "It's trickier when you live on a fixed income," he notes, because you can't compensate for rising expenses by working more.

One option is to seek out a fee-only financial adviser who charges by the hour. To find one, you can search a directory operated by trade groups, such as letsmakeaplan.org, napfa.org and plannersearch.org.

Pro tip: "The person you want to have for your financial fitness is a fiduciary," Becerra says. A fiduciary financial adviser is, by law, not allowed to sell you products like [annuities](#) or insurance policies that aren't in your best financial interest, so you know you'll be getting trustworthy advice.

Group exercise: Find a financial 'workout buddy'

Just as having a spotter when you're lifting weights can keep you from injuring yourself, having someone with whom you can check in about your finances can help you stay on track, Kahler says. "Having some kind of accountability mechanism can be particularly important," he says. "I don't push myself as hard working out by myself."

A financial adviser you keep in your corner and check in with regularly is certainly an option. But if you don't want to pay for an accountability partner, there are probably people in your everyday life who can help you stay committed to your financial goals.

"If [you] have any friends or relatives or colleagues from work who are older and retired already, go talk to them," Migliaccio suggests. "Talk to them about strategies that work."

The most important characteristics to look for in a financial accountability partner are a willingness and ability to help you keep your financial commitments. As Becerra puts it: "A big thing is to have someone who can be an advocate for you, who can be a champion for you."

Martha C. White writes about business, finance and the economy. Her work has appeared in The New York Times, CNN, Time, NBC News, Money and other outlets.