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7 Ways to Maximize Cash Flow Investing

This is an extra resource to go along with the original article:

Why Cash Flow Investing Is Your Best Income-Generating Option

Cash flow investing is a great option for retirees who don't feel like they have enough saved up in their retirement funds before they actually retire. But for those new to investing, there are some tips to follow to make sure that you get the most out of your cash flow investments.

1. Diversify.

Investors looking for steady income should put together a diversified portfolio, and consider companies that have proven track records of dividends. Blue chip companies are known to weather downturns and operate profitably in the face of adverse economic conditions, which helps to contribute to their long record of stable and reliable growth.

2. Explore different cash flow investments.

Real estate investing is a type of cash flow investing, but it comes with more responsibility than simply managing a portfolio of securities. Bonds will produce regular cash flow but with low interest rates and little to no inflation protection, income may be limited. Covered calls are a great way to turn a regular stock portfolio into a cash flow investment.

3. Understand the tax benefits and challenges.

What type of funds you use to invest impact how the taxes will be handled. Taxable accounts (Individual, Joint, and Trusts) will be taxed on the investment gains annually. Qualified accounts (IRA, 401(k), and Rollovers) will only be taxed when money is withdrawn.

4. Review your investments at least once a year.

Take the time to monitor and balance out your portfolio once a year and get your asset allocation to where it should be. Evaluate your income needs for the future, and pick the best mix of investments to meet those needs. Even if you have an investment advisor, you should still check up on things regularly.

5. Keep investment fees low with do-it-yourself management.

Some retirees may choose to have their investments managed for them, which is a perfectly reasonable option as long as you're aware that there are management fees associated with that option. Fees are important because the money that doesn't go into the pocket of your investment manager goes into yours. For those that want to keep fees low, consider a do-it-yourself investment option (find out more here).

6. Alternatively, consider a managed account.

On the other hand, you may simply not wish to be so heavily involved in your investments, but that doesn't mean you shouldn't reap the benefits of cash flow investing. Consider opting for a managed account if you fit one of these client types.

7. Talk with other investors.

Don't make investing a solo endeavor. Other investors have been doing this successfully, and there are financial advisors that can give you advice on any tricky situation that might arise with your portfolio. Don't keep questions to yourself. Find someone who has been there and can help you navigate any investment scenario that you find yourself in.

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