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Eight Mistakes That Can Upend Your Retirement

Avoid these situations, if you can.

Pursuing your retirement dreams is challenging enough without making some common, and very avoidable, mistakes. Here are eight big mistakes to steer clear of, if possible.

No Strategy. Yes, the biggest mistake is having no strategy at all. Without a strategy, you may have no goals, leaving you no way of knowing how you'll get there – and if you've even arrived. Creating a strategy may increase your potential for success, both before and after retirement.

Frequent Trading. Chasing "hot" investments often leads to despair. Create an asset allocation strategy that is properly diversified to reflect your objectives, risk tolerance, and time horizon; then, make adjustments based on changes in your personal situation, not due to market ups and downs. (The return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost. Asset allocation and diversification are approaches to help manage investment risk. Asset allocation and diversification do not guarantee against investment loss. Past performance does not guarantee future results.)

The Problem of Money Paralysis

Not making a move may not always be the best move to make.

A decision not made may have financial consequences. Sometimes, we fall prey to a kind of money paralysis, in which financial indecision is regarded as a form of "safety."

Retirement seems to heighten this tendency. If you are single and retired, you may be fearful of drawing down your retirement savings too soon or assuming investment risks. Memories of this-or-that market downturn may linger.

Even so, "paralysis by analysis," or simple hesitation, may cost you in the long run. Your retirement may last much longer than you presume it will – perhaps, 30 or 40 years – and maintaining your standard of living could require some growth investing. As much as you may want to stay out of stocks and funds, their returns often exceed the rate of inflation, which is important. Creeping inflation can reduce your quality of life in retirement by subtly reducing your purchasing power over time.

Retirement calls for distributing some of your accumulated assets. Some new retirees are reluctant to do this, even when some of that money has been set aside for goals or dreams. Frugality suddenly reigns: a long vacation, a new car to replace an old one, or a kitchen remodel may be seen as extravagances.

We cannot control how long we will live, how much money we will need in the future, or how well the economy will perform next year or ten years on. There comes a point where you must live for today. Pinching pennies in retirement with the idea that the great bulk of your savings is for "someday" can weigh on your psyche. What does your retirement dream amount to if it is unlived?

If you fear outliving your money, remember that certain investing approaches offer you the potential to generate a larger retirement fund for yourself. If you seek more retirement income, ask a financial professional about ways to try and arrange it – there are multiple options, and some involve relatively little risk to principal.

There is one situation where waiting may be wise. If you wait to file for Social Security until age 65 or 70, your monthly Social Security benefit will be larger than if you had filed earlier in life. Why? Social Security has what it calls "full retirement age," or FRA – the age at which you can receive the full Social Security benefit you are entitled to, based on your earnings record.[1]

If you were born in 1960 or later, your FRA is 67. If you were born during 1954-59, your FRA is 66 (and it gradually increases toward 67, depending on your birth year within that date range).[1]

Most retirees claim Social Security benefits in their early sixties (eligibility begins at age 62). In a way, they are shortchanging themselves by doing so. Because they are claiming benefits before reaching their FRA, their monthly benefit is smaller than it would be at age 66 or 67 – in fact, it may be as much as 30% smaller. On the other hand, those who claim after their FRA at age 68, 69, or 70 receive monthly benefits that are larger than they would get at age 66 or 67. Roughly speaking, for every year you delay claiming benefits beyond your FRA, you will increase the size of your monthly benefit payment by around 8%.[1]

Your approach to investing has been created with your retirement in mind. A practical outlook on investing and decisions to work longer or claim Social Security later can potentially help you amass and receive more money in the future.

- Mico

1 - fool.com/retirement/2019/05/13/many-are-making-a-tragic-social-security-mistake-a.aspx [5/13/19]

Not Maximizing Tax-Deferred Savings. Workers have tax-advantaged ways to save for retirement. Not participating in your workplace retirement plan may be a mistake, especially when you're passing up free money in the form of employer-matching contributions. (Distributions from most employer-sponsored retirement plans are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty. Generally, once you reach age 70½, you must begin taking required minimum distributions.)

Prioritizing College Funding over Retirement. Your kids' college education is important, but you may not want to sacrifice your retirement for it. Remember, you can get loans and grants for college, but you can't for your retirement.

Overlooking Health Care Costs. Extended care may be an expense that can undermine your financial strategy for retirement if you don't prepare for it.

Not Adjusting Your Investment Approach Well Before Retirement. The last thing your retirement portfolio can afford is a sharp fall in stock prices and a sustained bear market at the moment you're ready to stop working. Consider adjusting your asset allocation in advance of tapping your savings so you're not selling stocks when prices are depressed. (The return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost. Asset allocation is an approach to help manage investment risk. Asset allocation does not guarantee against investment loss. Past performance does not guarantee future results.)

Smart Financial Moves in Your 20s, 30s, 40s, & 50s

Beneficial moves for every age.

Have you ever mapped out your financial timeline? If you're like many Americans, it may have been more difficult than anticipated. One helpful way to manage your financial goals is to break it down by your age. After all, depending where you are on life's journey, certain financial moves make more sense than others. Read on to learn more.

What might you want to do in your twenties? First and foremost, you should consider saving for retirement – preferably using tax-advantaged retirement accounts that let you direct money into equities. Through equity investing, your money has the potential to grow and compound profoundly with time – and you have time on your side.

Aside from equity investment, you may want to try and build your savings. A good place to start is an emergency fund equal to six months of your salary. That may seem unnecessarily large, but it is worth pursuing, especially if you have loved ones depending on you. Accidents do happen, and you could suffer an illness or injury that might prevent you from earning income. About 25% of people will contend with such an episode during their working lives, and less than 5% of disabling illnesses and accidents are job related, so workers compensation insurance will not cover them.[1]

What moves make sense in your thirties? By now, you may have started a family or taken on other financial responsibilities. So, your spending has probably increased from the days when you were single. As you save and invest, remember also to play a little defense.

Many people in their thirties use this time to create a will and set up financial power of attorney in case something unforeseen happens. Another smart move to consider is securing a solid life insurance policy. Depending on the policy that's right for you, you may even be able to use your policy as an investment vehicle. As always, speak with a financial or insurance professional to make sure you have the coverage that's right for you.

What considerations emerge between 40 and 50? Try to maintain your retirement planning efforts in the face of financial stressors. You may have teens or preteens at home, and if you have not yet considered creating a college fund that can potentially grow and compound over time, now is the right time. You should not dip into your retirement fund to pay for their college educations, no matter how onerous college loans may seem.

You may want to look into long-term care insurance. Buying it before age 50, when you are likely in good health, is a wise move, especially if you are interested in such coverage.

Between 50 and 60, you are in the "red zone" before retirement. If you can, accelerate your retirement savings through greater contribution levels or take advantage of the catch-up contributions allowed for many retirement accounts after age 50. If possible, think about an approximate retirement date. Aim to reduce your debt as much as possible by that time or earlier. Retiring with multiple, major debts can be stressful, to say the least. Lastly, check in with a financial professional to gauge how close you are to realizing your long-term financial objectives.

- Jim

Retirement and Adult Children

Supporting family can put a crimp in your strategy.

Families are one of the great joys in life, and part of the love you show to your family is making sure that their basic needs are met. While that's only to be expected from birth through the high school years, many households are helping their offspring well into their twenties and beyond.

However, you may have concerns that your adult children have come to depend on you too much. On the other hand, you may have given more than you planned, to the point where you are dipping in your retirement savings. If that's the case, you might want to think about how involved you want to be in your children's financial needs.

How common is this? An April 2019 Bankrate.com survey of 2,500 Americans indicated 51% of respondents saying that they helped adult children, aged 18 and up, either "somewhat" or "a lot" – specifically drawing from their retirement savings.[1]

While every household has their reasons to help their adult children, it's important to keep your retirement strategy on track. It's not only a matter of replacing the money that you are taking out of retirement accounts or investments, but you're also losing time. The growth that may occur with investments or compound interest is a phenomenon that happens over decades. In that situation, you can replace the money you took out, but you can't replace its potential.

Communication is a good first step. Beyond your own interest, there's also the young adult in your life to consider. Helping solve a short-term financial problem is one thing, but you also want to offer them an advantage that may help them face a future money squeeze on their own.

It's also helpful to keep in mind that not all the expenses young adults are incurring are wasteful. CBS News reports that student loan payments may be $400 per month, describing the amount as "typical." When you factor in rent, utilities, and basic personal expenses, that underlines why the habit of careful budgeting can be so crucial for someone just joining the workforce.[1]

For that reason, financial education can also be a great gift. There are numerous resources that can help with learning how to budget: books, classes, apps, and more. If you aren't sure what would work best for the young adult in your life, you can ask your trusted financial advisor for some tips. The skills and knowledge needed to handle money is not instinctual; helping your adult children learn how to better control their financial lives may offer them the confidence to succeed and navigate rough money issues without you, in time.

- Barbie

Retiring with Too Much Debt. If too much debt is bad when you're making money, it can be especially harmful when you're living in retirement. Consider managing or reducing your debt level before you retire.

It's Not Only About Money. Above all, a rewarding retirement requires good health. So, maintain a healthy diet, exercise regularly, stay socially involved, and remain intellectually active.

- Shawn

1 - theweek.com/articles/818267/good-bad-401k-rollovers [1/17/18]

2 - https://www.gobankingrates.com/net-worth/financial-planning/strange-facts-never-knew-money/#31

3 - https://cdn.gobankingrates.com/wp-content/uploads/2017/09/30-Mark-Wilson-GettyImages-169117081-848x477.jpg

4 - https://images.ctfassets.net/h0969ul5arsq/22vHO89x3cRwIoYVcMiQ8i/75dc9b870c65c5bfb0b92c776335369f/Smart_Financial_Moves_-_Large_header_730x300.png

5 - https://www.cdc.gov/media/releases/2018/p0816-disability.html [5/24/2019]

6 - cbsnews.com/news/adult-children-are-costing-many-parents-their-retirements/ [4/25/19]

7—https://www.gannett-cdn.com/media/2019/04/01/USATODAY/

Financial Fun Facts

- A $1 dollar bill's life expectancy is roughly 5.8 years.
- U.S "Paper" money is actually made from 75% cotton and 25% linen.
- U.S currency is printed in 2 places in the world; Washington D.C and Fort Worth, Texas.

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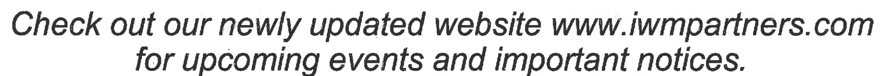

The economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful. Stocks and bonds strategies involve risks including the loss of principal.