10 RETIREMENT MISTAKES BOOMERS ARE MAKING

WEALTH FACILITATOR™

1 – Putting Off Saving for Retirement

People need money to survive, and the best way to make money is to work. Cash is the most reliable vehicle you can use to have more coming in than going out. Contrary to popular belief, if you do not control money you may find yourself working for the rest of your life without ever finding enough money to retire comfortably.

The single biggest financial regret of Americans surveyed by Bankrate was not saving enough for retirement. Not surprisingly, respondents 50 and older expressed this regret at a much higher rate than younger respondents.

If you haven't started saving in your 40s and 50s, you're not too late. You just need to rethink the way you save and become very disciplined.

According to Ramsey Solutions, 42% of people aren’t saving anything for retirement. A whopping 54% of working Baby Boomers have less than $25,000 saved for retirement.

2 – Not Having a Written Retirement Plan

Americans are under-prepared for retirement. A mere two thirds of Americans have a written retirement plan, even though most experts agree that it’s a must-read document.

Developing a robust retirement plan isn’t complicated. A little bit of thought and planning can make a huge difference in a person’s retirement.

At the very least you need to be able to answer the following four questions: How much money you will likely have in retirement, how much you need to live on, how long you expect to live, and how much you can safely withdraw from your accounts given how long you expect to live.

You can try to do the planning yourself, or meet with a financial adviser who can work with you to create a retirement road map.

Many boomers have financial challenges facing them as they approach retirement. This is because they lack a financial plan and have not planned for the future — leaving them on shaky ground when it comes to investing for the future.

3 - Not Planning With Your Life Expectancy In Mind

Early retirees and pre-retirees are often guided by naïve assumptions about their longevity. They expect to live about as long as the previous generation. When the truth is just beginning to sink in, they are shocked at how many years they actually have left to live.

Some 20 percent of retired baby boomers will see their 90th birthday and more than half of those who reach that milestone will be women.

One of the most difficult aspects of predicting life expectancy is the fact that it depends on innumerable factors, from genetics to diet to medical advancements.

Though life expectancy statistics are based on a large number of variables, there are some proven trends that can be used as guidelines. Use a lifespan calculator that has actuarial data. A simple Google search will yield plenty of options.

4 – Borrowing From Your 401(k)

When taking money from your 401(k) for a down payment or a new car, you are robbing yourself of the growing power of compound interest. And unfortunately, if you borrow against it once, there's a greater chance you'll do it again.

You might be tempted to borrow from your 401(k) retirement savings account. After all, it's your money. In most cases, you'll probably have five years to pay the loan back with interest.

However, not paying into retirement during this period will reduce or suspend your contributions to your retirement plan. That means missed contributions for months or even years and missing out on the investment growth from those contributions.

5 – Using Your Home Equity As Your Retirement Plan

If the next real estate market crash happens, those who bought real estate as an investment may find themselves paying high monthly payments. And the property could potentially end up being valued at lower than what you purchased it for.

6 – Being Overconfident About Your Retirement

Baby boomers are under the impression they know more about retirement than they actually do. However, often they know very little about all the options and consequences when it comes to decisions on retirement planning.

More and more Americans are retiring, but so few understand basic facts and strategies when it comes to ensuring that their retirement is a comfortable one. More people than ever are turning 65 each day. Financial well-being is a major contributor to a good quality of life in retirement.

Overconfidence can lead to simple mistakes in retirement planning - which in turn makes it harder to achieve the lifestyle one desires.

7 – Ignoring the Potential That Long-Term Care Might Be Needed

All of us want long, healthy and happy lives as we grow older. A good diet, plenty of exercise and regular check-ups can help. But even the most vigorous and fit of seniors can fall ill, and a major illness will take its toll on mind and body as you age. The obvious solution is to be proactive: keep your body in good health and avoid illness from occurring in the first place.

If you or a loved one ever needs long-term care, be prepared for sticker shock. Long term care insurance is crucial for paying for the unexpected. Long-term care can cost anywhere from $50,000 to over $100,000 a year. Medicare doesn't cover most of the costs associated with long-term care.

There are options for funding long-term care, but they're expensive. If you can afford the high premiums, consider long-term care insurance, which covers some but not necessarily all nursing home costs.

8 – Not Having A Will or Estate Planning

When it comes to estate planning you should do your best to avoid any legal hassles for others. Estate planning isn't just for the rich and powerful. Even if your assets are modest — perhaps just a car, home and bank account — you still want to have a valid will in place to specify who gets what and who will be in charge of dispersing your money and possessions.

If you die without a will, the state will decide who gets what. Not only will your assets get tied up in court, possibly creating financial hardship for your loved ones, but a judge may award some of your assets to an unintended party.

If you're planning to retire soon, it's a good idea to review your will and living trusts. If you created these documents more than 5 years ago, they may need to be updated or modified. In addition, some estate or retirement-planning assets fall outside your will. Be sure the beneficiaries you have on file with financial institutions are up to speed before you retire.

You should also draft a durable power of attorney that names someone to manage your financial affairs if you need help or become incapacitated. And your health-care wishes should come into sharper focus now that you're older.

9 – Planning to Work Indefinitely

Many baby boomers have every intention of staying on the job beyond age 65, either because they want to, have to, or they want to maximize their Social Security checks.

While probably more than 50% of those working beyond 65 are doing so because they have to, one can't count on always being able to bring in a paycheck. While more than half of today's workers plan to continue working in retirement, just 1 in 5 Americans age 65 and over are actually employed, according to U.S. Department of Labor statistics.

You could be forced to stop working and retire early for any number of reasons - including health-related issues for yourself or a loved one. Not to mention, being downsized or laid-off.

Many baby boomers do not have a backup plan to replace retirement income if they're unable to continue working.

10 – Not Understanding Your Spending

Financial planning for retirement, includes both the savings / investing part of the equation, and the spending side of things. Not much time is spent on planning what one spends.

Financial advisors are only paid based on investments and assets under management - so this definitely causes a bias in focusing on the investment part of retirement planning.

One of the biggest mistakes people make with their finances is not understanding what they are spending. Knowing your spending habits will show you when you can retire, what standard of living you can afford, how much you should expect to pass down to your heirs and where your money should be allocated.