FORBES

AUG 12, 2016

5 Retirement Mistakes to Avoid For Pre-Retirees And Retirees

By Bart Astor

The biggest regret those of us in our 50s and 60s have about our later years is not having planned early enough for our retirement years. The second biggest regret, based on my conversations with peers, is having done something we shouldn't have. I guess sometimes for success in life, it's not what we do right, it's what we don't do wrong.
We all know the *usual* questions to ask as we get older: Will I outlive my money? Can I spend some now and still save some for later – maybe even leave some for my kids? Should I stay in my home? Move to a retirement community? Relocate closer to my children? But the real question, I think, is this one: How can I avoid making poor decisions that seem right at the time but will later come back to bite me?
For the answer, below are five retirement mistakes to avoid when *not* doing something makes better sense than changing your path. Some of them relate to things you shouldn't do before you retire and some to what you shouldn't do once you have retired.

Mistake No. 1: Don't become too cautious as an investor. Most financial advisers warn you to be more conservative in your investments as you get older. They say: Move to a more evenly balanced blend of stocks and fixed income investments, with no more than about 40 to 50% in equities. They pull out that old maxim that older people don't have as long to ride out the lows in the market.

But it may be smart to ignore that dated advice and stay with the same diversified, balanced investments you have now. I'm 68 and I fully expect to live into my 90s. Isn't 22+ years long-term investing?

If I had listened to a former financial adviser and rebalanced my portfolioto 50/50 just to bump up the bonds portion due to my age, I'd have missed the strong bull market and would probably not be as financially secure for my later years.

Mistake No. 2: Don't start to get greedy. You really shouldn't go nuts trying to squeeze every last dollar out of your investments. The best minds in the world can't time the markets. So how could you?

Once you set up your investment goal, which includes having a specific percentage in equities and fixed investments, stick to it. When one sector soars, resist the urge to keep riding the upside. Rebalance your portfolio appropriately so you're still achieving your initial goals despite recent market moves.

The best money advice I ever got was from my friend and financial adviser, Alice Anselmo, senior vice president at UBS, in Red Bank, N.J. When I hesitated rebalancing my portfolio after a strong return from my stocks, she asked: "Would you buy these stocks at the prices they are now, figuring they will go up?" If your answer is 'No, it seems pretty high and the upside is limited,' then maybe that's the time to sell. Chances are you're not the only one who thinks they're heading down." Similarly, Alice warned me to stick with my bond portfolio, even when it had not performed well.

Her advice has led me to advocate for diversification and for sticking to your investment plan, while tempering any desire for those huge gains of the turbulent 1990s.

Mistake No. 3: Don't try to change who you are once you retire. Tigers don't change their stripes. Who you are now is pretty much who you've always been and who you're likely to be in the future.

If you're a doer, you'll continue to be a doer. If you've been one to try things and to explore, continue to do so. If you've been one who hesitates to jump in, chances are pretty great that you're not going to be happy making a big life change.

When my friends John and Andrea sold their business where they'd worked six or sometimes seven days a week, they retired to a beach community where they had vacationed. It took only a year or two for them to realize they had made a mistake. Fortunately, after a couple of years of floundering, they found an outlet for their Type A personalities by opening a restaurant (where they were again working long hours).

Mistake No. 4: Don't jump at the first opportunity you see to keep busy in retirement. Throughout our lives, we've always had goals. As kids, we knew we wanted to be a policeman, firefighter, teacher, doctor, lawyer, or in my case, shortstop for The New York Yankees (it didn't work out, but I soldiered on). Then many of us had to figure out which college to attend and what to major in. After that: aspirations for jobs, families, homes… Now, if someone asks: "What are your goals for this stage of your life?" you'll want to have an answer, too.
That's something to think about, and in my book, *AARP Roadmap for the Rest of Your Life*, I offer tips to help you establish goals. The key is: Take your time. Think about who you are, what you like to do and what kinds of choices you have. You don't have to rush it. It's not a race. You won't miss out on that perfect chance.

Mistake No. 5: Don't underestimate your retirement-life budget. Most financial gurus say that when you retire, your expenses drop significantly and you can adjust accordingly. In fact, some say you can figure you'll spend 30% less than before you retired. I say: "hogwash." True, when you're no longer working full-time you won't be paying 7% for FICA taxes on full-time pay. And you probably won't need to invest in your retirement account 10% of what was your previous income. But, in my experience, many other expenses go *up*, not down.

You may not be commuting, but you may be traveling more. You'll probably have more restaurant lunches and dinners with friends. You may be doing remodeling around your home. Rising health care costs will likely take a bigger chunk out of your pocket, too.

I would count on spending in retirement close to what you currently are — or at the very least, 85%. You've been putting off that great overseas excursion for a long time. Now that you have the time, take it.