Special Report: How (NOT) to Fail at Retirement

7 Essentials of Retirement Success

1. Going into retirement without a retirement plan.

Benjamin Franklin is thought to have said “'If you fail to plan, you are planning to fail!” Not sure if he would have used an exclamation point but the emphasis is well-placed.

A plan for retirement is not just about the financial considerations such as appropriate savings, a realistic spending plan, and tax issues. Some even more fundamental retirement issues are: **1)** What does retirement mean to you? Do you know what, if anything, you want to do? Does part-time or volunteer work factor in?; **2)** Where do you see yourself in retirement? Staying put, relocating, traveling, RVing, etc.?; **3)** Have you thought about downsizing your home or having one with low to no maintenance?; and **4)** If married do you share the same vision of retirement? You'd be amazed how many couples have not had that conversation! It can make for an interesting start to a retirement….

Having a plan does not mean that you can't and won't make changes. More on that in point number 5.

2. Not having a retirement spending plan.

Many people thinking about retirement believe that because they have saved some money in their company retirement plan, are eligible for Social Security benefits and, in increasingly rare cases, will receive a pension, that they don't need a plan for retirement.

Unfortunately, just the opposite is true. How do you know if what you have saved will be enough? Smart retirement savers estimate what they will need for retirement expenses on a monthly or annual basis, define a savings goal to build a nest egg that will be sufficient for their retirement expenses, and invest appropriately for their age, time until retirement, and savings goal. Not becoming too conservative in investment strategy and watching your spending in controllable areas are two techniques for success in both planning for, and maintaining, the standard of living you desire in retirement.

3. Investing too conservatively in retirement.

There are many “rules of thumb” about the asset mix between stocks, bonds, and cash that you should have near and into retirement. A common idea is to be much more conservative in retirement since you are trying to preserve assets. But that approach can actually be riskier than having a greater amount of growth-oriented investments in your portfolio. Inflation is not your friend and having too much money in bonds and cash may actually have you losing purchasing power over time. That’s not to say that you should be investing in risky things to try to make up for lost time. That of course has its own problems. But finding the “sweet spot” that’s personal to you and that allows you to have growth, income, and relative stability is one potential outcome of a flexible plan that is revisited over time.

Time is truly the wildcard in retirement planning. Someone retiring at the “traditional” retirement age of 65 today may very well be in retirement nearly as long (or longer) than they were in the workforce! As you might imagine, longevity can have a significant impact on whether you will have enough money for a truly successful retirement which is why old rules of thumb just don’t work anymore.

4. Not getting the most from Social Security benefits.

For many people, Social Security benefits are the only guaranteed income they have in retirement since pensions are such a rarity. Because of that, it is critical to understand the SS benefit system, your expected benefits, and the best way to manage your benefits as an individual or as a couple. While general rules are generally not all that useful, there is one that works for most folks—the longer you can delay your SS benefits the greater your benefit will be (up to age 70). And the second part of that rule is if you can wait to take your benefits you should, but only if it makes sense in your situation. Because with every rule there are exceptions. With SS benefits the consequences of making a poor decision for your own situation can have a lifetime impact. Seek guidance before you make a potential mistake.

5. Not planning for life's "curveballs."

Dwight Eisenhower once said "…plans are useless, but planning is indispensable." Put more colloquially by boxer Mike Tyson, "Everyone has a plan until they get punched in the mouth." These quotes highlight the point that in retirement, as in life, things can happen, and you must adjust accordingly. Life can throw curveballs at you in terms of health issues, untimely death, financial market volatility, unexpected expenses, children moving back home, etc. In points 1 and 2 above we said that you should have a plan for retirement. But a plan that does not adjust and adapt over time will fail. The assumptions and circumstances built into the original plan will change and your goals and expectations—and actions—must change as well. A sudden loss of income from an untimely death while you still have expenses that needed that income can be devastating. Unexpected health care or long-term care costs can also change your circumstances dramatically. How you adjust and adapt your own plan can determine success or failure over time.

6. Not considering protection of your money from creditors, predators, & future "ex-in-laws."

For those retirees who have had a financially independent and successful retirement there is one other major consideration to plan for—what happens with what's left over? Another classic Ben Franklin quote is that "nothing is certain but death and taxes" and who can argue with that? There is uncertainty with these of course, as in "how much?" and "when?," but those who live a long life in retirement and have had a successful plan will likely have some assets remaining that must go somewhere.

This is where an appropriate estate plan that is tied in with your financial plan can be invaluable. This coordinated planning ensures you know what will happen after your death, that it is what you want to happen, that any controls you want are in place, and only those people or charities who should inherit from you will do so. There can be tax savings built into the plan, creditor protection, "predator" protection such as your child's future ex-spouse getting your money, etc. Simply put, a failure to plan for the end of your life can have unintended consequences, as can a poorly developed plan that does not factor in insurance and retirement account beneficiaries, tax consequences, or your desired distributions of assets. Remember, it's your hard-earned money.

7. Not getting professional assistance with investing, taxes, and estate planning—retirement is not the best time for a do it yourself project!

Many of us have taken on do it yourself projects over the years. If you are like me, it is a rare project that does not result in several trips to the hardware store for things needed or forgotten. And sometimes even your best efforts are not enough, and you have to call in the pro to finish things up. That may work fine for a home improvement project, but it won't for a financial or estate plan.

You may have been comfortable with investing and savings during your working years and been successful with that. That's great. But near and in retirement things are different. The spending phase is not like the savings phase of life. More formally these are called the decumulation and accumulation stages. Many people have a hard time being comfortable spending money after a lifetime of saving, while others are way too comfortable spending money and really enjoying their retirement years. Both approaches have potentially negative consequences for a successful retirement. There is no prize for dying with too much money left over, particularly if you did not enjoy retirement out of fear of running out of money. And there is no real joy in spending too much and running short in retirement either.

A planning professional or a team of professionals can provide you with the guidance you need before, at, and in retirement so that you can make the best of what you have. Some people don't want to make a plan since they expect the advisors will have bad news for them. That certainly can happen to some folks. But bad news does not get any better over time, and the opportunity to make some decisions along the way with professional help may make the difference between a successful retirement and that other kind!

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