Retirement Mistakes to Fix Before the Holidays

Spend as much time fixing your mistakes as you do planning the holidays

You probably spend more time planning your holiday gathering than preparing for your golden years. As a result, you make basic mistakes in trying to fund your retirement. Here are a few of the top mistakes people make to screw up this crucial saving.

No specific goal. Many people say something like, "I want to retire in my 60s." Fine – but pinpointing the age when you want to retire is not even half the process. Additional key questions:

- How much do you need to retire?
- How much have you saved?
- Will your investments get you enough income to meet your retirement goals?

A better example of your specific retirement goal: "I want to retire at 62 with $750,000 of investable assets that yield approximately $45,000 a year of income, including my pension and Social Security."

Focus on desired rather than needed returns. Don't obsess with how much your portfolio can make and what your friends make investing. How much return your portfolio generates means little.

More important: Identify how much you need to make to live comfortably in retirement. How much income do you need each month to survive? To live as well as you do now, or better?

How does your investment income compare with your other retirement income sources, such as pensions and Social Security? Stop focusing on the rumored 12% return that big-time investors claim to make and start focusing on what you actually need.

No portfolio review. When did you last open your account statement? When did you last sit down with your financial advisor and review your investments and 401(k)?

If you did either in the last 365 days, congratulations: You are in the minority. Some investors don't even open account statements.

You need to know what goes on with your investments. Review annually at a minimum – twice a year is better. With technology providing online access and review tools, you have no reason to neglect developments in your investment situation.

Too much financial news. You see some special segment on CNBC about some future crisis and then want to scrap your financial plan and implement a risk-hedging strategy some loud-mouthed TV personality swears by.

Wrong move. In good markets or bad, letting media headlines influence your investing strategy spells disaster.

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Meet with your financial advisor. Put a financial plan in place and identify specific goals. And turn off the news for a while.

Overestimating a portfolio's lifespan. Let's say you are 91 and retired more than 35 years ago – that's longer than the number of years worked. With proper planning, you should be making more retired than you did each week working.

But guess what? That is the exception: Pensions are becoming extinct. The rest of us depend on 401(k)s and Social Security through increasingly longer retirements.

Advances in medicine keep people alive longer. According to the National Institute on Aging, "The rising life expectancy within the older population itself is increasing the number and proportion of people at very old ages."

A recent study estimates the average couple spends more than $220,000 on health care during retirement – yet nearly half of pre-retirees age 55 to 64 believe they will only need approximately $50,000. Among other findings related to health spending in later years:

- An individual with a pre-retirement income of approximately $80,000 and in poor health may need as much as 96% (some $76,800) of that income each year in retirement.
- That same person in excellent health might need just 77%, or $61,600.

Most (84%) respondents wonder if they can cover health-care costs in retirement. And sadly, most won't have enough.

Fail to check beneficiaries. Consider this story of three brothers due to get an inheritance from their recently deceased mom. The money came from the mom's individual retirement account but the brothers also learned that she held an annuity three times larger than the IRA.

The mom's will named all three brothers as equal beneficiaries. What mom didn't know, or forgot: Her annuity named the oldest brother the sole beneficiary even though her will divided the money equally between the three sons.

The annuity trumped the will and the oldest brother got all the money.

Any good sibling knows mom wanted the money split three ways so of course the oldest brother split it equally, right? Wrong. He took the entire $300,000 annuity and bought an airplane.

Check your beneficiaries. Review your 401(k)s, annuities and life insurance policies. It takes less than 10 minutes to avoid trouble, heartache and misuse of your retirement money during and after your last years.

Make the Time. Think about how much time you will spend planning your holiday this year. And then take at least the same amount of time and fix these basic mistakes.

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