The Most Common Retirement Mistakes and How to Avoid Them

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Introduction

I'm sure you've heard that saying before. Most people, when they hear it, nod their heads and think, "Good advice." But when it comes to their money, are they taking it? Do they have a plan for their finances, or are they, in fact, planning to fail?

"Failing to plan is planning to fail."
— Dwight Eisenhower

Now it's your turn: Do you have a plan? Better yet, are you confident in it?

When it comes to your money — and your retirement especially —failing to properly plan is planning to fail. These days, planning for retirement isn't just a luxury. It's a necessity. Retirement has become too complex to just pick a day and stop showing up to work. And it's more than complex — retirement is also expensive.

You have to factor in expenses, taxes, and other spending. There are many ways to pay for it, but which ways are the best ways? How much do you need to save, how should you invest?

Many pre-retirees don't know the answers to these questions. As a result, there are several common mistakes they tend to make. Each mistake on its own can severely affect your retirement lifestyle. Making several can mean total derailment.

The good news is each of these mistakes can be easily avoided with a little planning. To help, I've written this special eBook. On the following pages, you will learn all about the nine most common mistakes pre-retirees make — and best of all, how to avoid them!

Mistake #1: Improper asset allocation

Improper asset allocation is one of the most common mistakes that a pre-retiree can make.

Why is asset allocation so important? Look at it this way: if you were to only eat one food every day for your entire life, your body would be very unhealthy. If you were to exercise only one group of muscles for your entire life, your body as a whole would be very weak. And when you invest all your money in the same way, the same could be true of your finances.

Asset allocation is basically a strategy that spreads your investments across different "asset classes." The three main classes are equities (stocks), fixed income (bonds), and cash. There are other classes, of course, like commodities and real estate.

There are sub-classes as well. For example, "stocks" can be divided up into many different classes, like domestic, international, small, mid, and large-cap stocks, sector specific, etc.

The thinking behind asset allocation is that by mixing your investments within these different classes, you take on less risk. That's because if one class goes down in value, the other classes you've invested in can compensate.

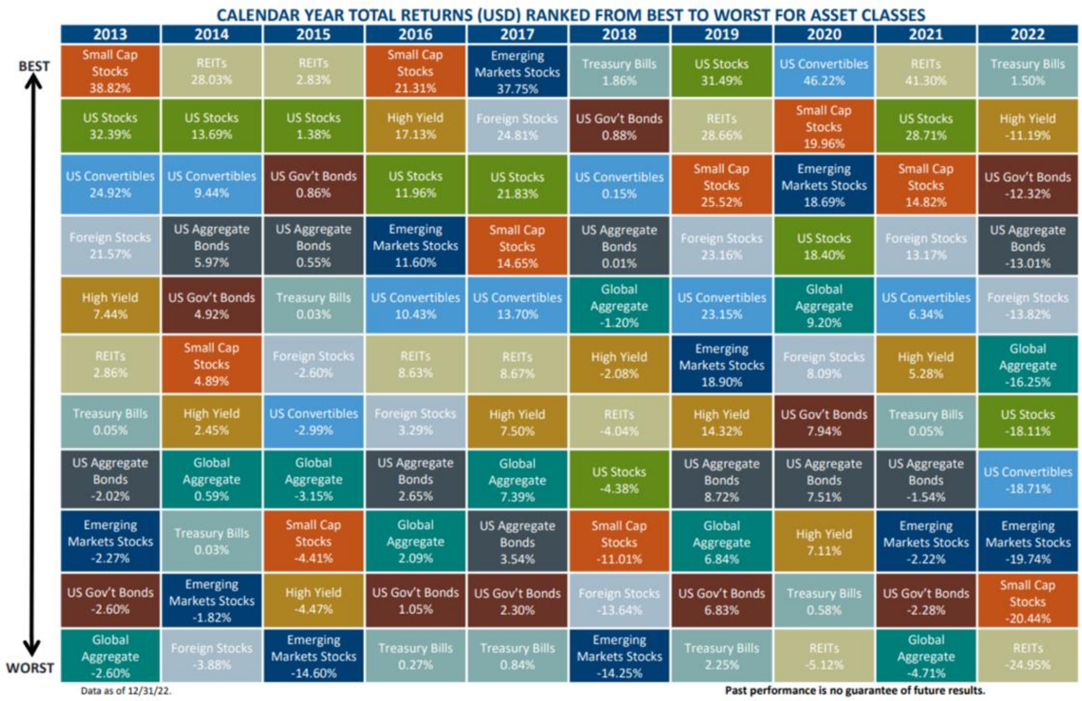
Here's an example of why asset allocation is so important:

Let's say that in Year 1, the stock market goes through the roof. So, you put all your money into stocks. But in Year 2, the stock market performs poorly. It's possible you could end up losing a lot of money. Now let's say that instead of putting all of your money into stocks, you put 50% into the bond market. When the stock market went down, investors started pouring their money into bonds, causing bond prices to go up. That means even though your stock holdings decreased in value, your bond holdings increased, meaning you could still break even or possibly come out ahead.

Of course, this is a very general, very simplified example. I'm certainly not recommending you do anything like that. But hopefully it illustrates the point: putting all your eggs in one basket is rarely a good idea.

Here's another reason to believe in the value of asset allocation. Take a look at the chart on the following page.[1]

[1] "Asset Quilt," *Calamos Investments*


CALENDAR YEAR TOTAL RETURNS (USD) RANKED FROM BEST TO WORST FOR ASSET CLASSES

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
BEST	Small Cap Stocks 38.82%	REITs 28.03%	REITs 2.83%	Small Cap Stocks 21.31%	Emerging Markets Stocks 37.75%	Treasury Bills 1.86%	US Stocks 31.49%	US Convertibles 46.22%	REITs 41.30%	Treasury Bills 1.50%
	US Stocks 32.39%	US Stocks 13.69%	US Stocks 1.38%	High Yield 17.13%	Foreign Stocks 24.81%	US Gov't Bonds 0.88%	REITs 28.66%	Small Cap Stocks 19.96%	US Stocks 28.71%	High Yield -11.19%
	US Convertibles 24.92%	US Convertibles 9.44%	US Gov't Bonds 0.86%	US Stocks 11.96%	US Stocks 21.83%	US Convertibles 0.15%	Small Cap Stocks 25.52%	Emerging Markets Stocks 18.69%	Small Cap Stocks 14.82%	US Gov't Bonds -12.32%
	Foreign Stocks 21.57%	US Aggregate Bonds 5.97%	US Aggregate Bonds 0.55%	Emerging Markets Stocks 11.60%	Small Cap Stocks 14.65%	US Aggregate Bonds 0.01%	Foreign Stocks 23.16%	US Stocks 18.40%	Foreign Stocks 13.17%	US Aggregate Bonds -13.01%
	High Yield 7.44%	US Gov't Bonds 4.92%	Treasury Bills 0.03%	US Convertibles 10.43%	US Convertibles 13.70%	Global Aggregate -1.20%	US Convertibles 23.15%	Global Aggregate 9.20%	US Convertibles 6.34%	Foreign Stocks -13.82%
	REITs 2.86%	Small Cap Stocks 4.89%	Foreign Stocks -2.60%	REITs 8.63%	REITs 8.67%	High Yield -2.08%	Emerging Markets Stocks 18.90%	Foreign Stocks 8.09%	High Yield 5.28%	Global Aggregate -16.25%
	Treasury Bills 0.05%	High Yield 2.45%	US Convertibles -2.99%	Foreign Stocks 3.29%	High Yield 7.50%	REITs -4.04%	High Yield 14.32%	US Gov't Bonds 7.94%	Treasury Bills 0.05%	US Stocks -18.11%
	US Aggregate Bonds -2.02%	Global Aggregate 0.59%	Global Aggregate -3.15%	US Aggregate Bonds 2.65%	Global Aggregate 7.39%	US Stocks -4.38%	US Aggregate Bonds 8.72%	US Aggregate Bonds 7.51%	US Aggregate Bonds -1.54%	US Convertibles -18.71%
	Emerging Markets Stocks -2.27%	Treasury Bills 0.03%	Small Cap Stocks -4.41%	Global Aggregate 2.09%	US Aggregate Bonds 3.54%	Small Cap Stocks -11.01%	Global Aggregate 6.84%	High Yield 7.11%	Emerging Markets Stocks -2.22%	Emerging Markets Stocks -19.74%
	US Gov't Bonds -2.60%	Emerging Markets Stocks -1.82%	High Yield -4.47%	US Gov't Bonds 1.05%	US Gov't Bonds 2.30%	Foreign Stocks -13.64%	US Gov't Bonds 6.83%	Treasury Bills 0.58%	US Gov't Bonds -2.28%	Small Cap Stocks -20.44%
WORST	Global Aggregate -2.60%	Foreign Stocks -3.88%	Emerging Markets Stocks -14.60%	Treasury Bills 0.27%	Treasury Bills 0.84%	Emerging Markets Stocks -14.25%	Treasury Bills 2.25%	REITs -5.12%	Global Aggregate -4.71%	REITs -24.95%

Data as of 12/31/22.

Past performance is no guarantee of future results.

But by allocating your assets to different areas, you can stabilize your portfolio's performance. It means you don't have to ride a constant roller coaster. It means not subjecting your finances to an unhealthy diet.

Now, here's the most important point. Even if their portfolio is technically diversified, many investors don't know whether the style of diversification is right for them. Their assets may be allocated in different areas, but are they the correct areas? You see, there's no magic formula to follow. Proper asset allocation depends on a variety of factors, like your age, goals, ability to take on risk, family situation, and so on. So, the question you need to ask yourself is: Are your assets properly allocated? In fact, do you even know how they are allocated? If you don't know the answer, you could be making Mistake #1.

Mistake #2: Not Maximizing Social Security

You may have heard that Social Security is broken, or that it won't be around by the time you retire. But the truth is that Social Security is nothing less than a guaranteed stream of income, something no retiree should ever neglect. Even better? There are ways to maximize your Social Security benefits. In other words, you may have the ability to increase your post-retirement income.

For these reasons, Social Security should and will play a large part in your retirement plan. Failing to give your Social Security benefits the attention they deserve is basically just a way of denying yourself money for retirement.

To help you avoid this mistake, here are three ways to potentially increase your Social Security Benefits:

#1: Delay Collecting Your Benefits

Too many people rush to collect their benefits as soon as they retire. This is sometimes a mistake, especially if you retire early. Technically, you can begin receiving benefits as early as age 62, but if you do, your benefits will be reduced significantly. For example, people born between 1943-1954 would see their payouts permanently reduced by 25%.[2]

Waiting until your "full retirement age" might be a better option—it means you won't face any reduction. What is your "full retirement age?" It's the age at which a person may first become entitled to "full" or "unreduced" retirement benefits.[2] This chart gives you the specifics:

Year of Birth	Full Retirement Age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

The latest you can begin collecting benefits is at age 70, and there's good reason to hold off until then if you can afford it. Benefit payments go up 8% for every year you wait after you reach your full retirement age up to age 70.[3] In other words, the longer you can keep your hand out of the cookie jar, the more sweets you'll eventually receive.

[2] "Starting Your Retirement Benefits Early," *Social Security Administration*

[3] "Delayed Retirement Credits," *Social Security Administration*

#2: Claim Spousal Benefits

This topic is very intricate — too intricate for a single eBook. So, for now, it's more important that you simply be aware of your options. Another way to potentially maximize your Social Security is to claim a spousal benefit. Married individuals can claim Social Security based on either their personal earnings record (in other words, their own work history) or on their spouse's earnings record. If a married individual chooses the latter, they would receive up to 50% of their spouse's benefit.

Why choose to claim benefits based on 50% of your spouse's earnings record rather than your own? Simple: because you can claim whichever number is higher. Be aware, however, that you cannot claim a spousal benefit until your spouse has filed their own claim.

#3: Claim Survivor Benefits

Imagine a hypothetical couple, John and Mary. Let's say that both claimed Social Security based on their own earnings records. Now let's say that John dies of a heart attack, leaving Mary behind. Under certain circumstances, Mary can file to receive John's benefit, or increase her own benefit to the same amount that John enjoyed, if John's number is greater.

There are other ways to potentially maximize your Social Security benefits, too. To learn about these, or more about the methods listed here, please feel free to give my office a call using the contact info at the end of this eBook. I'd be happy to speak with you about your options.

Whatever you do, remember: Social Security is a guaranteed stream of income, and should figure highly into your retirement plan. Don't deny yourself the chance to earn more money for retirement!

Mistake #3: Underestimating Taxes

Another common mistake is to underestimate the effect of taxes on retirement. Many pre-retirees only think about how much they'll have to save or invest … not how much they'll owe Uncle Sam.

It's true that for many people, their tax rates may actually be lower in their retirement years. But there are many retirement decisions to make that can affect your tax situation. Below is a list of some tax-related issues to think about as you prepare for retirement.

Change in Tax-Bracket

As stated above, many people will have a change in their tax bracket upon retirement. That's because their income is lower than when they were working. The benefit of this change is that you could owe less tax on your income. However, one possible downside is that you may not be able to claim as many deductions.

Some Retirement Savings Qualify as Income

When setting aside money for retirement, many people invest in tax-deferred accounts like an IRA or 401(k). These types of accounts allow you to invest your money for retirement without having to pay taxes on it immediately. But this money becomes taxable income the moment you start withdrawing it. When calculating how much money you'll have for retirement, don't make the mistake of forgetting to factor in the government's cut.

Taxes on Social Security Benefits

Your Social Security benefits may also count as taxable income. This is a complicated topic, but if you have retirement income in addition to your Social Security benefits, your benefits may be taxable if your combined income is more than a certain amount. Consult with a good Certified Public Accountant to find out more, or feel free to contact my office if you'd like me to put you in touch with one.

Capital Gains and Dividend Taxes

A capital gain is an increase in the value of a capital asset, like a stock, which gives it a higher value than the price for which it was purchased. In other words, if you sell an investment that has risen in value, you have a capital gain.

The long and short of all this is that many pre-retirees plan for retirement by calculating how much money they've saved versus how much they expect to spend. But what they don't do is consider the tax implications of retirement. Failing to do so can completely alter the equation. You may find out you have less money to retire on than you thought.

Capital gains are subject to capital gains taxes. The amount is dependent on what kind of asset you sold and how long you held it before selling. The returns you make on your investments can be significantly impacted by capital gains taxes.

Mistake #4: Misusing Tax-Deferred Assets

Tax-deferred investments, to put it simply, are investments that allow your money to accumulate tax-free until you decide to make a withdrawal, usually — and ideally — after retirement. Withdrawals are then taxed as ordinary income. These types of investments include traditional IRAs, 401(k)s, and annuities. They can be a great way to save for retirement, but too many people fall prey to the temptation to plunder them long before they retire. It's a common mistake, but one that can have major implications for your retirement savings.

First, let's look at why tax-deferred investments can be a good way to save for retirement. By setting money aside, letting it grow, and deferring taxes, you can potentially have more retirement income after you stop working. This is especially true when you consider that many retirees will enter into a lower tax-bracket than the one they're in prior to retirement.

That means you may be able to have more money for retirement while simultaneously paying less in taxes than you would have if you spent the money immediately after earning it.

Taking withdrawals too early, however, robs your retirement of those extra savings. It can also lead to various penalties. For example, if you make withdrawals from an IRA prior to age 59½, your withdrawals would be subject to a 10% penalty from the IRS in addition to being taxed.[4] There are exceptions. For example, you can withdraw money to pay for certain medical expenses or buy a first home. But most of the time, raiding your retirement cookie jar just isn't a wise decision.

The point of all this isn't to recommend you start contributing to a tax-deferred investment today. The point is that if you do currently have tax-deferred investments, resist the urge to tap into them until you're at or very close to retirement. Give your money the chance to grow until you really need it.

Of course, it's equally important not to make withdrawals too late. That's where Required Minimum Distributions, or RMDs, come in.

RMDs are essentially the government's way of ensuring people use tax-advantaged accounts for what they were designed to do – fund retirement. Along with Social Security, they are likely to be one of your primary sources of income in retirement.

A Note About RMDs

Once you reach age 73, you must begin taking annual withdrawals from any 401(k)s, 403(b)s, or traditional IRAs you have. These withdrawals are called required minimum distributions, or RMDs. If you fail to take your distributions in a given year, or take out less than the required amount, the IRS may impose a 50% tax on the amount you should have withdrawn.[5] For this reason, it's very important to work with a financial professional to create a distribution plan so you always know when and how much to withdraw from your tax-deferred investments.

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4 "What if I withdraw money from my IRA?" *Internal Revenue Service*

5 "IRA Required Minimum Distributions FAQs," *Internal Revenue Service*

Mistake #5: Underestimating Health Costs

Let's pause for a moment and think about what retirement actually is.

You may not notice it immediately. Say you retire at 65, full of energy and with no health problems. But in five years? Ten years? Fifteen? By that time, you'll be eighty. They say age is a state of mind, but it is also a fact of life, and this fact means inevitable changes to both your health and your pocketbook.

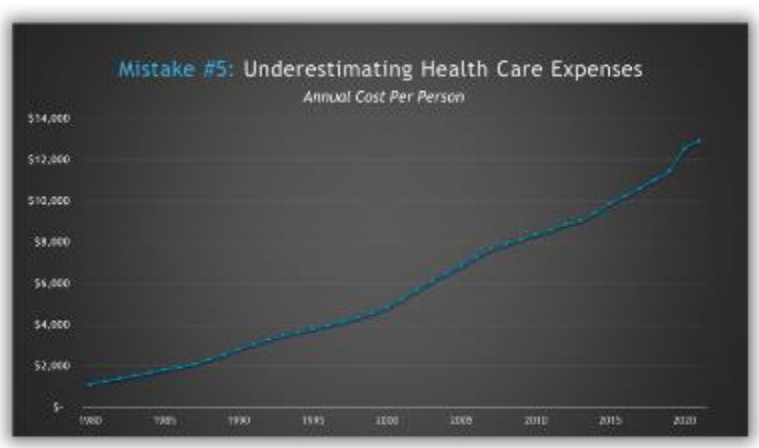
Is it a chance for you to travel the world, play with the grandkids, start that hobby you have been putting off, or just relax and read a book? Yes, retirement can be all these things and more. Unfortunately, your retirement years are also when your body starts to slow (and break) down.

There is no use being anything less than blunt about it. Your medical expenses will most likely go up after retirement, and the further into retirement you are, the higher your expenses will likely be. But many people fail to plan for these costs. It's a major mistake too many pre-retirees make.

Those who do plan often underestimate exactly how much their medical expenses will cost. For example, one study by Fidelity Investments found that most Americans believe they will need only $41,000 to pay for their health care costs in retirement. But the true number is likely to be much higher than that. According to the same study, a 65-year-old couple can expect to spend an average of $315,000 in medical expenses during retirement![6]

That is a lot of money. There are just so many aspects of health care that will have to be covered. Besides medicine, there are visits to your doctor, hospital stays, surgeries, long-term care, and more.

To make matters worse, health care costs have been rising for decades and show no signs of stopping any time soon. In fact, the recent pandemic accelerated the rise of health care expenses. This graph shows how expenses have risen over time.[7]



[6] "Americans can expect to pay a lot more for medical care in retirement," *CNBC*
[7] "The Rising Cost of Health Care by Year and Its Causes," *The Balance*

Hopefully, this gives you a little glimpse of how important it is to plan for your medical expenses. But how do you pay for them? The simplistic answer is "work longer and retire later," but let's delve a little deeper. Here are a few things you can do:

#1: Learn your Medicare options

If you're one of the lucky few who will have employer-provided health care even after retirement, congratulations.

But if not, start familiarizing yourself with the intricacies of Medicare now. The government's health insurance program for seniors is often referred to as a single plan, but in reality, it is many types of plans rolled into one. From the basic level of coverage (Part A) to "Medicare medical insurance" (Part B), which covers outpatient hospital care, physical therapy, and home health care, to the more elaborate "Medicare Advantage" plans, most retirees are confronted with too many options, some of which are more appropriate than others. Choosing the best type of coverage for you will be crucial when it comes to paying for medical expenses.

#2: Look at Medigap

Medigap supplemental insurance is sold by private insurance companies. Designed to help pay costs not covered by Medicare, it's not free, and certain criteria must be met before purchasing it, but it's a route to consider.

#3: Invest For the Long Term

Your investment portfolio can be an invaluable tool if used wisely.

One way to use it wisely is to invest a portion with growth in mind. It's often thought that growth-oriented investments are for younger people, while retirees should hew more conservative. And while there's some truth to that, it's important to keep your retirement savings ahead of inflation so you can use it to handle major expenses like health care. Being overly conservative prevents you from being able to do that.

#4: Consider LTC Insurance

Long-term care (LTC) insurance covers nursing-home, home-health, and personal daycare for individuals aged 65 or older with a chronic or disabling condition that needs regular and long-term supervision.

Important disclaimer: not everyone will need long-term care or assisted living in their lives. That said, many people do, and LTC insurance is potentially one of the best ways to pay for it.

It can be beneficial to purchase LTC insurance sooner rather than later, as premiums can get higher as you grow older. However, LTC is expensive in and of itself, so give the subject a lot of careful consideration before deciding.

#5: Keep your body healthy

I'm a financial advisor, not a doctor or trainer, so I'm not in the business of providing tips on healthy living. But this one is just common sense! Keeping yourself healthy now can save you a lot of money in the future. By getting regular exercise, eating a healthy diet, sleeping enough, and quitting smoking (among other things) you can give yourself a better chance of avoiding some of the problems that plague retirees.

#6: See If Your Employer Offers a Health Care Savings Account

Some employers offer a Health Care Savings Account, or HSA. This is an account that allows you to set aside pre-tax money for health care expenses.

As you can see, paying for health care expenses is a huge part of retirement. As you create your retirement plan, make sure you give the subject all the attention it deserves. Of course, if you have any questions about how to choose the proper Medicare plan, how to invest properly, or whether long-term care insurance is right for you, please feel free to give my office a call. I would be happy to help you.

HSAs earn interest every year, can be transferred from one employer to another, and are a handy way to limit the impact of unexpected health expenses during retirement.

Mistake #6: Underestimating Inflation

Inflation is a word we've all heard a lot lately, isn't it? It's a scary term that conjures up images of German children stacking useless money, or national governments going broke. But inflation isn't just a word for economic textbooks. It's a word every retiree — and pre-retiree — should know.

To put it simply, inflation is the rate at which prices for goods and services go up, while the value of currency goes down. For example, let's say the inflation rate is at 4%. At such a rate, a candy bar that costs $1 will cost $1.04 in a year.

Doesn't sound like a big deal, does it? Unfortunately, retirement costs a lot more than even the most expensive of candy bars, and it lasts a lot longer, too. As a result, the impact of inflation can hit harder. Here's another way to look at it. If prices rose by 4% annually...

So, if you retire at age 65, and inflation stays at 4%, the value of your dollar will decrease by more than half in twenty years. Living until you are 85 has become commonplace nowadays, so this concept isn't just academic.

Here's one final way to look at the impact of inflation. Let's imagine you retire at 65 with $100,000 in annual retirement income. If inflation were to remain at 4%, then the value of your $100,000 would shrink to less than $50,000 in 20 years. In essence that means you'll be living on half of your expected income by the age of 85.

When you think about all the costs that come with retirement — living expenses, medical expenses, spending on leisure — then the thought of living on half your income should be sobering indeed.

Many retirees make the mistake of forgetting to calculate for inflation when they plan for retirement, but it's something you have to consider. It's why sticking all your money into a savings account (or under the mattress) just isn't enough. It's why proper investing is so crucial — it's the best way for your money to grow in a way that outpaces inflation.

For example, take bonds. When you buy a bond, you basically loan money to an entity (either corporate or governmental) for a specific period of time. During that time, the entity pays you back at a fixed interest rate. When the term has ended, you then receive back the initial amount you invested to do with as you please. Bonds can be an effective way to generate consistent income for yourself, but again, you have to factor in inflation. When inflation rises, so too do interest rates. When interest rates rise, the value of bonds decreases. That can diminish the liquidity of your bond should need the arise.

Keep in mind that I said proper investing is crucial. There are many ways to invest that, while useful, can also be negatively impacted by inflation.

Actually, fixed income investments in general can be negatively affected by inflation. As you may know, these types of investments pay a steady stream of money in interest, and then return a predetermined amount to you upon maturity. But with inflation, the value of that money can diminish every year.

Let's say your investment pays out a 5% annual return. But if we stick with the same inflation rate as before, 4%, then your "real" return is only 1%. So, while you may have a certain return "on paper," the "real" return on your investment could be substantially lower than you thought. That makes it much harder to buy the goods and services you need.

The point of all this isn't to scare you away from bonds, or fixed income investments, or saving for retirement. The point is that inflation should take its place at the top of your list of things to prepare for. If you plan ahead, there are ways to protect yourself from a drop in purchasing power. By truly diversifying your portfolio, even as you enter and live in retirement, you can choose investments that act as "hedges" against inflation…which can make all the difference.

Mistake #7: A Lack of Liquidity

When it comes to planning for retirement, few people think about the importance of liquidity. What is liquidity? The definition of liquidity is "the ability to convert an asset to cash quickly."

For retirees, you can think of liquidity like this: "The ability to do what you want or get what you need whenever you want or need it…because you can always pay for it!"

Here are some examples of different types of assets in order of how liquid they are:

Technically speaking, cash is the most liquid asset there is, because it can be used immediately and under almost any circumstance. Other assets have varying degrees of liquidity. Stocks are relatively liquid since they can usually be sold easily. More tangible objects, like a car or even a prized baseball card, are far less liquid because it might take longer to find an interested buyer. Items like these might also be harder to sell for their full value. Real estate is one of the least liquid assets of all—ever tried selling property before? Sometimes the market cycles allow for a quick sale at a great price. Other times it can take months to years to get the price you are looking for.

Why does this matter? The main reason is because of the unexpected expenses you will inevitably face after retirement. What if your house is damaged by a storm and needs repairs? What if your car breaks down? What if you have sudden medical expenses to pay? All those things require cash. You can't rely on things like Social Security alone because that will have already been earmarked for your expected expenses.

Unexpected expenses are why liquidity is so important. No one can plan for every occurrence. We have to expect the unexpected. It's why you should always keep a first-aid kit in your car or a flashlight in your house.

Having a Rainy-Day Fund

One of the easiest and smartest ways to give yourself some needed liquidity in retirement is to establish a rainy-day fund outside your normal savings and investment accounts. It's a fund that only gets touched in the event you have unexpected expenses.

Generally, a good rainy-day fund should contain enough liquid assets to cover 3-6 months' worth of living expenses. If you don't yet have such a fund, start now, and start small. Deposit $100 or so into a new savings account, and then contribute to it every month. You'll be surprised how soon it adds up!

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The question, then, is how do you factor in liquidity when preparing for retirement? The answer can be found by avoiding the next, and penultimate, common retirement mistake.

Unexpected expenses are also why you should always factor in the importance of liquidity when preparing for retirement…even if you have to sacrifice a little bit of income to do it.

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Mistake #8: Not Having an Income Plan

Have you noticed a theme yet with these retirement mistakes? Most of them center around one thing: Income. Specifically, ensuring you are maximizing the various sources of your income after retirement while minimizing the amount of income lost due to taxes or expenses like healthcare.

The closer you get to retirement, the more the word "income" should be on your mind. In all likelihood, you will need several steady streams of income to meet expenses, reach your goals, and ensure your money lasts your lifetime.

The good news is there are many potential taps you can use to fill your bucket. Social Security, your 401(k), IRAs, investments, savings...you name it. And that's just scratching the surface!

But, as important as it is, it's not enough just to maximize these various sources. You must also figure out:

- How much you need to accumulate for each source in order to accomplish your retirement goals.
- What areas of retirement each source of income should be allocated to. For example, you won't want to sell investments every time you go on vacation...and you won't want to use your Social Security benefits to buy a new house, either.
- When to draw from each source and when not to. Some sources, like your IRA, require specific timing to not trigger taxes or penalties.
- How to continue growing the funds in some sources in order to outpace inflation or leave a legacy for your loved ones.
- Ensuring you keep enough liquidity to always meet expenses...especially those that are unplanned or sudden!

To keep the "tap" metaphor going, think of your retirement income like the way you think of water. When you want a drink of water, you don't turn on the shower — you go to the sink.

When you take a shower, you don't turn on the dishwasher and the washing machine, too — it would affect your water pressure. And when you water your lawn, you probably don't do it for hours at a time, in the middle of a hot summer day. That's just a waste.

In other words, your home contains multiple sources of water. Each source has its own purpose. Each is used at different times, in different combinations, at different amounts, for different reasons.

It's the best way to ensure you always have enough water for what you need, when you need it...without paying more for it than you have to!

That's the mindset you want to have with your retirement income. Not as money all heaped together in an ever-bigger pile...but as refreshing, life-giving water from various taps, each for specific purposes and time periods.

So, how do you create such a plan? This, quite frankly, is where working with a qualified, experienced financial professional can be helpful.

It can be a daunting task, trying to make sense of how to balance investing, Social Security, taxes, liquidity, and so on by yourself. A good financial professional, however, can help you figure out the exact steps to take — and when to take them — so you always know:

Not having a plan can lead to drawing too much from one source and not enough from others. It can lead to having too much of your potential income tied up in illiquid assets. It could prevent your assets from growing. It could trigger unplanned fees, taxes, and expenses.

- When it's time to cash in on your investments and when you should let them grow.
- When to take RMDs from your IRA, and how much.
- How much of your savings should be devoted to more liquid assets.
- How to ensure your expenses are always met while still achieving your dreams.

Do you remember the quote at the beginning of this eBook? When it comes to your income, failing to plan really is planning to fail.

Ask yourself these questions:

- Do you know where your income will come from after you retire?
- Have you decided what you want to do with your golden years? Have you figured out how you'll pay for it?
- Do you have a clear schedule in your mind for when to draw from your various sources of income...and how much you'll need?
- Are your investments suitably liquid so you can meet any unexpected expenses?

If the answer to any of these is, "No," don't feel bad. Just get planning!

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Mistake #9: Not Daring to Dream

This is the last mistake, and while we're about to have some fun with this one, it's no less important than all the others.

Retirement is about finally having the chance to focus on living. It's no longer about getting ahead in life, but about experiencing life itself!

For that reason, retirement should be fun. It should be enlightening. It should be rejuvenating. Above all, retirement should be... whatever it is you want it to be!

However, there are many people who never take the time to dream. They never create their bucket list; never ponder their deepest, sweetest desires. It's quite possible to spend too much time worrying about how to retire and not enough on why you're retiring, or what you want to do in retirement. People who make this mistake run the risk of experiencing the worst scenario of all:

boredom

When it comes to retirement, there's one thing my team and I always tell our clients:

If you can dream it

we can help you do it.

So, start today. Close your eyes and dream. Assume for the moment that you'll have both the money and time. What do you envision yourself doing?

Write the next Great American Novel

Raise horses on your farm

DO STAND-UP COMEDY

Learn how to cook Italian food...in Italy

Drop anchor at every island in the Caribbean

LISTEN TO JAZZ IN A SMOKY BAR IN PARIS

DESIGN AND BUILD YOUR OWN HOUSE

RESTORE OLD SPORTS CARS

VISIT EVERY MAJOR LEAGUE BALLPARK

VOLUNTEER IN YOUR COMMUNITY

build your collection of fine wines

SPEND TIME WITH YOUR GRANDCHILDREN

You want more? We can help you do more. Like:

Create a beautiful garden. Give your spouse a chance at a career. Ski for 100 days a season. Finally, finally use all of your frequent flyer miles. Create a world that consists of nothing but a hammock, a pitcher of lemonade, and a stack of John Grisham novels. Return to your family's farm and try to make a go as a farmer. Participate in guided tours of all the ancient wonders of the world. Open your own bed-and-breakfast. Finally get your college degree. Trek to the Himalayas. Visit all 50 states. Start another career. Scuba dive all over the world. Relax. Go on a Safari in Africa. Move to a college town and take all the classes you skipped 40 years ago. Write movie reviews for the local weekly. Climb a 20,000-foot mountain. Rent a barge for a canal tour in Europe. Invest in startup companies. Coach youth soccer, baseball, and basketball. Drive from Alaska to Patagonia. Run the Boston and New York marathons. Play as many of Golf Digest's top-100 courses as possible. Play in a garage band. Play bridge for money. Just play! Go on at least three cruises a year. Act in a community theater. Learn to play the piano. Do...absolutely nothing! RV along Route 66.

You see, planning for retirement is about more than taxes and investments. It's about envisioning the life you always wanted to live.

So, what are you waiting for? Close your eyes and dream it. We can help you do it.

If you have any questions about the information in this eBook or would like help on any of the topics we've covered, please feel free to reach out. My team and I would be happy to help you in any way we can.

But whatever you decide to do, remember: Your retirement is coming up, which means it's time to start planning.

It's time to start dreaming.

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