Eight Tips for a Happier Retirement

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As a financial advisor, the number one mistake I consistently see people make in planning for their retirement is underestimating the amount of money they will need. It's not an easy number for most people to visualize, and many people are unsure of what they will be spending once they retire. To help clients avoid this, I always try to ask them specific questions to get them to start thinking about it. One, in particular, that I find most helpful is "what expenses are you paying for that will go away completely when you stop working?" Their answer to this can be a great starting point for a bigger conversation about what they need to do to achieve the retirement they desire.

On the flipside, with people living longer, healthier and more active lifestyles, it is also important to keep in mind that most people are not going to just to sit at home doing nothing once they retire. Advisors should probe as much as possible in this regard, and ask their clients about their travel or fitness plans, their desire to spending time on a hobby such as cooking, antiquing or quilting, and review the associated costs for these activities to ensure they are accounted for in the person's retirement budget. Successful retirement planning requires making hard choices long before retirement, and like most things it's always better to get a head start now then to wait until the last minute. Below, I've laid out eight tips to help increase your chances of having a happy (and well-funded) retirement:

1. **Make smarter choices.** Examine your spending habits and make better choices on where to spend your money while also continuing to save. Overspending or not putting money aside each month into a savings or retirement account will set you up for future failure. The key is to remember that justifying your spending habits now won't solve the problem of a retirement shortfall later.

2. **Pay yourself first.** Always invest as much money as possible with pretax dollars into your employer retirement plan. Some companies will also match a certain percentage of what you put into your retirement account. This is "free money" so make sure to take advantage and maximize all available employer matching contributions.

3. **Get out of debt.** Focus on paying your highest interest debts first. This could mean delaying extra mortgage payments to pay off higher interest credit cards, or other high interest debts. Keep in mind mortgages generally have lower interest rates than many other debts and may also have possible tax benefits.

4. **Do your homework.** Take the time to learn about your investment choices or find a qualified financial advisor to assist with choosing among your 401(k) or other retirement plan options. And remember, this is not a set it and forget it situation - pay attention over time to the

investments in your chosen plan, making changes when it makes sense as market conditions change.

5. **Go beyond your employer's retirement plan.** Maxing out your employer's retirement plans doesn't mean you're done. Consider starting a non-qualified savings plan, or if you don't have a plan at work, set up a self directed IRA plan. If you're a stay at home spouse, set up a self-directed IRA and make contributions based on your spouse's income.

6. **Evaluate your pension options.** Many Americans worked for companies who have or had monthly pensions as a benefit. This was a common benefit before 401(k)'s and other corporate and non-profit plans. Often these plans have options for deciding on lifetime income, or joint life with spouse, or taking cash in a lump sum. Talk to a qualified specialist outside of the company to evaluate what is best for your personal situation.

7. **Consider delaying Social Security.** Make sure you have evaluated all of your available Social Security options before you start taking income. Have your financial planner, or the Social Security office run "all" of your income options. Delaying your start date can make a huge difference over your lifetime, each year you wait can increase your income by 8%. You also need to consider spousal strategies, including options that may be available from spouses from previous marriages (even if there have been new marriages), or spouses who have passed away.

8. **Don't retire too early!** Just because you are unhappy, or frustrated with your current job or boss, doesn't mean you should retire. Especially if you haven't saved enough for retirement. Look into other positions within your current organization, explore new opportunities at a different company or consider working part-time. The longer you wait to rely on your savings nest egg as your primary source of income the larger it should be and the better off you will be!