

Retirement Wreckers to Avoid

Warning: Make the wrong decisions in today's treacherous economy, and it could kill the retirement of your dreams. It doesn't matter if you're 30 or 70, your nest egg is at risk, and the money moves you make now are critical. Do you want to live on baked beans and boxed macaroni and cheese in your twilight years? We didn't think so! Listed below are 10 deadly sins of retirement planning.

Sin No. 1: Not Getting Started Right Now

This may sound simple, but this is hands-down, the No. 1 deadly sin of retirement planning. If you haven't started socking money away for retirement, do it now. Not next month or next week or even tomorrow. NOW. Just \$100 a month will go a long way. In fact, thanks to the power of compounding, \$100 a month at 8% annual interest will turn into \$50,000 in just twenty years. \$200 could, eventually, turn into almost \$100,000! To see how fast your money could multiply, plug your numbers into our easy-to-use calculator.

Sin No. 2: Passing Up Free Money

If your company still offers a 401(k) "matching" program to which it will contribute a certain percentage of whatever amount you contribute, we hope that you are taking full advantage of that match. Otherwise, shame on you! This is free money! We've heard from some people who aren't contributing to their 401(k) because they are scared of losing money in the market. We say "hogwash!" Every dollar your employee contributes is pure profit! And no one said you have to invest your 401(k) in individual stocks or mutual funds. Review your plan choices to find an investment option that fits your comfort level.

Sin No. 3: Putting All Your Eggs in One Basket

Putting too much of your retirement nest egg in one basket is actually a common "sin." You might love your employer's stock, your favorite mutual fund or even a "safe" bank CD. But if something should happen to your company, your fund or your bank, you could be in deep trouble. We've heard heartbreaking stories from people who lost everything because they had all their money in their company stock when it plummeted. Diversity can help your nest egg grow consistently and safely.

Sin No. 4: Underestimating How Much You Will Need

Now let's talk about everyone's worst fear -- outliving your money! Many people completely underestimate how long they'll live and how much they'll need. Your everyday expenses such as groceries, gas and even household utilities, likely won't drop much, if at all, once you retire. Plus, other costs, such as medical care and long-term care -- will go up. Don't fall into this trap! Assume that you'll need 100% of your current income in retirement to maintain your pre-retirement lifestyle. Many people use 70%–80% as a rule of thumb, but unless you plan to dramatically scale down your lifestyle in retirement, you really need to aim much higher (especially considering inflation).

Sin No. 5: Raiding Your Retirement Funds Early

Come on, do you want to have a carefree retirement, or not? Raiding your nest egg early is not going to enable that to happen. We don't care if you need a new roof or that your child can't get a scholarship. Consider taking out a fixed rate home equity loan for the roof and have your child get a student loan for college. We know it sounds harsh, but the point is, do whatever you have to do to NOT touch that retirement account!

Sin No. 6: Putting Retirement Savings Last on the Priority List

How many people have you talked to in the last month who are putting off retirement because they have not saved enough money? Our answer is, "Too many." We all have lots of personal financial obligations competing for our hard-earned dollars: paying off debt, buying a home or car, putting the kids through college. Don't let today's distractions derail your future personal financial well-being. Make saving for your future a top priority.

Sin No. 7: Retiring Too Early

If you've saved "enough" by age 62, should you retire? Not necessarily -- especially if you're healthy and can work a few more years to help make up for any investment losses you may have experienced lately. Plus, at 62, you'll only get partial Social Security payments. Depending on what year you were born, you can collect full payments anywhere between age 65 and 67. See Social Security's benefits page to calculate your optimum time to retire.

Sin No. 8: Mis-Managing Your Tax Advantaged Retirement Account

If you mis-manage your IRA or 401(k), your wallet (and future) will pay the price ... and dearly! Here are a few critical rules that too many people break:

1. If you change jobs and you need to move your 401(k), you **MUST** move it into another 401k plan or another qualified account within sixty days from the withdrawal.
2. You can't make a withdrawal on your IRA or 401(k) before the age of 59 ½ (though there are exceptions).
3. You **MUST** start making yearly withdrawals from an IRA or SEP when you reach 70 ½.

Break any of these rules, and you'll be in for a boatload of extra taxes and/or penalty fees.

Sin No. 9: Not Having a Plan ... and Sticking to It!

The old saying is true -- if you fail to plan, you plan to fail. Without a plan, you can't answer critical retirement planning questions such as: How much can you live on once you pick up your last paycheck? How much can you afford to sock away for retirement? More importantly, how much do you need to save? Surveys report that 59% of people who take the time to calculate how much they need to save, end up increasing the amount of money they are putting away!

Sin No. 10: Wrong Risk at the Wrong Time

While you can probably get a great price on American car company's stock, now is **NOT** the best time for most of us to invest in that troubled industry. Same goes, generally, with the real estate sector.

Stay away from "promising" low-priced investments in this market...you don't want to take that kind of risk with your nest egg. We know that you feel the pressure to make up for the money that you have lost in this bear market, but can you really afford to put any of what's left of your nest egg at risk?