

Navigating Retirement Pitfalls

Much is written about the classic financial mistakes that plague start-ups, family businesses, corporations, and charities. Some classic financial missteps have been known to plague retirees, too.

Calling them "missteps" may be a bit harsh, as not all of them represent errors in judgment. Either way, becoming aware of these potential pitfalls may help you to avoid falling into them in the future.

Managing Social Security. Social Security benefits are structured to rise about 8% for every year you delay receiving them after your full retirement age. Is waiting a few years to apply for benefits an idea you might consider? Filing for your monthly benefits before you reach your full retirement age can mean comparatively smaller monthly payments.¹

Managing medical costs. One report estimates that the average couple retiring at age 65 can expect to need \$315,000 to cover health care expenses during the course of their retirement, even with additional coverage such as Medicare Part D, Medigap, and dental insurance. Having a strategy can help you be better prepared for medical costs.²

Understanding longevity. Actuaries at the Social Security Administration project that a 65-year-old man has a 34% chance and a 65-year-old woman has a 45% chance to live to age 90. The prospect of a 20- or 30-year retirement is not only reasonable, but it should be expected.³

Managing withdrawals. You may have heard of the "4% rule," a guideline stating that you should take out only about 4% of your retirement savings annually. Each person's situation is unique but having some guidelines can help you prepare.

Managing taxes. Some people enter retirement with investments in both taxable and tax-advantaged accounts. Which accounts should you draw money from first? To answer the question, a qualified financial professional would need to review your financial situation so they can better understand your goals and risk tolerance.

This article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals before modifying your investment strategy for tax considerations.

Managing other costs, like college. There is no "financial aid" program for retirement. There are no "retirement loans." A financial professional can help you review your anticipated income and costs before you commit to a long-term strategy, and help you make a balanced decision between retirement and helping with the cost of college for your children or grandchildren.

1. SSSA.gov, 2023

2. Fidelity.com, 2023

3. LongevityIllustrator.org, 2023

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