# Avoid these retirement planning mistakes

In a time when American workers cannot count on company-run defined benefit plans and with more of the investment decisions falling on the individual participant, more of the retirement burden is on the individual employee. Avoiding retirement planning mistakes has become more important when you add we are living longer.

**Mistake #1 - Waiting too long to begin saving**. People may wait too long because they believe they can catch up in later years or their spending is too high for the amount of money they take home. A 2014 survey by the Employee Benefit Research Institute reported that 26% of workers had less than $1,000 in savings and investments.

Some investment literature state, as a rule of thumb, that you will need about 80% of your pre-retirement income during retirement, and the average person will get about 40% of his/her “replacement income” from Social Security. Talking about saving is one thing, but doing it can be another thing. When you start your career is when you should start investing because you have time on your side. Beginning at age 25, saving $2,000 annually versus waiting until age 40 to save could mean the difference of about $149,000 at age 60 assuming a 6% average rate of return.

The sooner you start to save, the earlier you begin to put the power of compounding on your side. By jump-starting your retirement savings in your 20s, you will likely benefit from decades of market returns.

**Mistake #2 – Stop saving during severe market declines.** It can be very nerve racking to watch your portfolio fall in value by more than you have contributed the past several months. Some if not many people may start to feel that they are “throwing away money.” As a result, they stop saving and begin to save when the market has rebounded. However, the great returns come when the market is low not when it has rebounded.

**Mistake #3 – Using too conservative life expectancy.** Using a life expectancy that is an average figure may cause you to outlive your retirement savings. If you happen to be lucky enough to live longer than the average life expectancy, you could be unlucky in that you run out of money. Plan for a longer-than-average life expectancy by 5 to 10 years longer than average may help you mitigate the risk of outliving your retirement assets.

**Mistake #4 – Retiring too early.** Many people are tempted or plan to retire in their early 60s; however, doing so could put a strain on your retirement portfolio. Retiring early and living into your 90s could cause financial strain or even running out of money. Plan to work a little longer, either at your current job or at a part-time job during retirement. If you can put off withdrawing from your nest egg, your retirement assets will have more time to grow (compound) allowing you to draw down your savings more slowly.

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