# Retirement Mistakes People Make

Having been retired now for 23 years without any working wages, I'd like to enumerate the mistakes made by myself, friends, acquaintances, and the many people who email me in response to materials on www.analyzenow.com. Perhaps these will help improve your own perspective and find things which might apply to your future.

**Planning mistakes:**

Not doing any planning!

Not getting objective review by Certified Financial Planner before taking retirement plunge.

Optimism, optimism, optimism. Forgetting to set aside money for emergencies, replacing automobiles, major home maintenance and assuming high returns, low inflation and low taxes—or the government will take care of you.

Assuming there is a "Safe withdrawal rate." Future economy will be unlike the past and there will be unknown events that make this assumption a fallacy.

Excessive early draws believing that the elderly naturally spend less. Those that have the money spend more, especially for health care.

Not understanding wage growth assumptions used for a pension quote or whether the pension is going to be cost-of-living-adjusted or fixed. Many Web programs mistakenly assume all pensions are inflation adjusted.

Unknown pensions values when spousal benefits considered.

Unknown Social Security after Medicare deductions or benefits of delayed start.

Insufficient savings or unwillingness to work longer to allow delay for start of Social Security.

No ready cash for emergencies or unforeseen events.

No reserves to replace things that will wear out or need to be done after many years.

Did not foresee high Medicare taxes, Medigap insurance costs and magnitude of uninsured medical costs. (See Health care mistakes below.)

**Health care mistakes:**

Not exercising or eating right & keeping mind active.

Not knowing that Medicare doesn't cover Long-Term-Care (LTC), dental and much of eye and ear care.

Not knowing that LTC costs about $250/day and insurance to pay $150/day costs about $3,500/year.

Buying LTC insurance when not required, or too little, or not inflation adjusted. Not considering whether LTC premiums will be affordable later in life.

Not recognizing what Medicare costs in retirement. Fidelity estimates that average 65 year old couple will need $240,000 savings to cover a man to age 82 and a woman to 85. That's based on $10,500 in current year and going to $25,000 in 15 years. This excludes dental, uninsured drugs and LTC. A couple's monthly premiums for

Medicare B and D are now between $224 and $572, depending on income.   A Medigap policy can cost over $500/month and likely won't cover dental care or LTC either.

Not knowing health insurance costs if retire before 65 when Medicare kicks in.  About$30k/year for couple.

No provisions for assistance with broken backs, Alzheimer's, disabilities or diabetes.

Not deducting Medicare premiums for taxes or taking advantage of health savings accounts.

**Investment mistakes:**

Considering the home as an investment.

Not delaying the start of Social Security.  The extra cost for delaying Social Security is the least expensive, most comprehensive investment most people can make.

Buying high cost mutual funds and investment advisers taking high fees and kickbacks from mutual funds.

Stock picking.  Thinking they can beat the market when even few professionals beat index investing.

Buying when prices are high and selling when low, that is, chasing the market.

Not sticking to an allocation goal which helps to buy stock when prices are low and sell when high.

Not recognizing that interest rate increases reduce current value of bonds and bond funds.

Not recognizing paperwork requirements for rentals, small business and partnerships.

Not recognizing problems with immediate annuities, especially tax effects and losses to inflation.

Holding stock in employer's company.

**Unforeseen Expenses**

It's not possible to make specific plans for unforeseen events, but I like to see people set aside 10% of their savings or at least a half year's living expenses, whichever is larger.  Many years ago I wrote about the OSIFs of Retirement Planning.  OSIF is short for Oh Shoot!  I Forgot!  It's a common term in the construction estimating business where every OSIF reduces profit proportionally, but they may use a stronger word than "shoot."  I recently surveyed a number of my retired friends to get an up-to-date list.  Here are some of the bigger ones:

The most common problem:  Daughter with young children divorces, comes home.   One retiree now still paying for granddaughter in university.

Very common:  Failure to prepare for long number of years in retirement.

Divorce late in life.

Elderly parents running out of money.

Several couples had to deal with Alzheimer's and strokes.  Two with spouses with broken backs.

Sold business that subsequently failed and can't get remaining payments from new owner.

College students not finding job and returning home to live.

Adult children and/or elderly parents don't have enough to pay for replacement auto, new water hookup, etc.

One questioning whether to pay daughter's marriage counseling costs or pay for divorce if don't do cousnseling.

One had to raccoon-protect his home which had nest in chimney.

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