Are You Sabotaging Your Retirement?

Are you helping or hindering your future retirement security? It may be time to rethink your approach to retirement planning if any of the following apply to you.

Failing to Understand Retirement Income Sources

Too many people believe that Social Security will provide a comfortable retirement. However, the average monthly Social Security retirement benefit is $1,565 for men and $1,244 for women.[1] That's not a lot of money and it certainly leaves little room for extras. According to many financial experts, retirees need about 70%-90% of their preretirement income to maintain a comfortable lifestyle. If you want a better quality of life in retirement, you will have to count on additional sources of retirement income, such as your retirement plan, personal investments, home equity, or even part-time work.

Saving Too Little

Nearly half (45%) of workers surveyed in 2018 reported that the total value of their household's savings and investments, excluding the value of their primary home and any defined benefit plans, was less than $25,000.[2] If you have fallen behind in saving for your retirement, it's never too late to try to get on track toward a more secure future.

Employer-sponsored retirement plans offer tax benefits, and many employers make matching contributions to their employees' plan accounts. Or consider opening your own individual retirement account (IRA). Both the traditional IRA and the Roth IRA have certain tax advantages that could help you grow your savings.

Once you have a retirement account, try to increase the amount you contribute, even if it is only a small increase. Contributing some or all of any pay raises or bonuses to your retirement account can potentially help grow your retirement assets. And it's important to contribute consistently -- even when you are juggling other major expenses such as buying a house or helping a child pay for college.

Ignoring Inflation's Impact on Savings

Even a low rate of inflation will mean that you will have to pay more for goods and services in the future than you do now. One of the most effective ways to protect your retirement savings from inflation is to have a good asset allocation strategy. By investing your retirement savings in different types of investments, you will be able to allocate a portion to investment types that have the potential to grow faster than the inflation rate. While past performance is not a guarantee of future results, historically, stocks have outpaced inflation and produced higher long-term returns than other investments.

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Failing to Learn About Investing

Learn as much as you can about investing and investments. The more you know, the better decisions you will hopefully make. Try to read up on different types of investments, diversification, asset allocation, and investment risk.

Be sure you understand the details of your retirement plan. Find out how much you can contribute to your plan, the size of your employer's matching contribution, if offered, and when you are allowed to change your contribution amount. Read about the investments your plan offers. Each mutual fund offered by your plan has a prospectus, which is a document that describes the fund's main features. It provides important facts about the fund's investment objectives, portfolio manager, and any risks involved associated with investing in the fund.

Don't sabotage your future. Careful planning, a sound long-term strategy, and the input of a financial professional can help move you closer to your retirement goals.

You should consider a fund's investment objectives, charges, expenses, and risks carefully before you invest. The fund's prospectus, which can be obtained from your financial representative, contains this and other information about the fund. Read the prospectus carefully before you invest or send money. Shares, when redeemed, may be worth more or less than their original cost.

1. Fast Facts & Figures About Social Security, 2018, Social Security Administration.
2. 2018 Retirement Confidence Survey, Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc.