Consumers' Retirement Confidence Needs a Boost

The Dos and don'ts that will help you prepare for retirement

As baby boomers near retirement, many are discovering that they aren't yet financially prepared to leave their careers. Moving from a full-time job to a life of travel, volunteer work and time spent with family and friends may seem like a natural next step. For those who are still determining how they'll fund their retirement, however, cutting the strings of employment may not look so appealing.

Here are several sobering facts from the *New Retirement Mindscape*® 2012 City Pulse index[1], an annual survey that examines retirement readiness among individuals in 30 of the largest U.S. cities: Just 63 percent of respondents say they're saving for retirement. What's worse, only 37 percent of respondents nationwide say they feel "on track" to retire, and just 11 percent say they were able to retire earlier than planned because they were financially able to do so.

Take a glance at the last year and it's easy to see why retirement preparedness and confidence in retiring is at an all-time low. The effect of low interest rates on retirement accounts, the slow recovery of home valuations, the cost of health care and uncertainty about social programs like Medicare and Social Security have changed retirement plans for many people. So what can Americans do to regain confidence, feel secure about their futures and ultimately enjoy their retirement? Plan, plan, plan.

Here are some important do's and don'ts designed to help you move toward punching the clock for the last time and living a happy, healthy retirement.

Do "rehearse" retirement.
Consider what retirement looks like for you. How will you occupy your time; what will your expenses be each month; how much travel do you plan to do; what might your healthcare involve? Simply thinking about what retirement looks like before you actually leave your career, will help you anticipate and prepare both emotionally and financially.

Do understand your retirement benefits.
If your employer offers retirement benefits like a 401(k) savings plan and a company-sponsored pension, learn how these programs work well before you retire. Knowing how to maximize 401(k) savings and your employer's match, as well as how to access savings, pension assets and social security benefits can help you feel more confident about retirement.

Do strive to be debt free upon retirement.
This involves making well-planned, wise choices – and sometimes making trade-offs – during your last 10 to 15 years of your career. If possible, maximize funding into your 401(k) plan before refinancing or adjusting your 30-year mortgage to a 15-year term in order to retain the tax advantages available to you that come with saving for retirement. That might mean focusing on savings vs. paying off a mortgage or other long-term debt.

Do plan and set goals – with a cost attached.
This step may seem daunting, but if you don't have a plan and goals in place, it can be difficult to feel confident about your financial future. Determine how much you'll need to sustain your retirement lifestyle while you still have time to save and make it a reality. Consider working with a financial advisor who can help you identify your retirement dreams and then find ways to help work towards realizing your goals.

Don’t borrow from retirement accounts.
Some respondents in the 2012 City Pulse retirement readiness survey indicated that helping their children pay off student loans was hindering their personal retirement plans. Why? Because parents often borrow from 401(k) savings or minimize contributions to pay off student loan expenses. A 401(k) loan is rarely a good option because of lost interest on that savings during the repayment term. In addition, many companies won’t let 401(k) borrowers contribute to their savings plan while they have an outstanding loan.

Don’t assume your retirement will be “traditional.”
In recent years, baby boomers have redefined what “retirement” really means. Some choose to work part time or start a career in which they’re really passionate about. If you aspire to have a part-time career, start laying the foundation now. Identify what you hope to do as well as the companies or organizations that might benefit most from your experience.

Don’t disregard your health.
As we age it becomes more important to carefully monitor our physical and mental well being. Obesity, high blood pressure and high cholesterol are the most common health issues in America. So get an annual physical and health screening and talk to your doctor about any health concerns you may have and what the future costs may be so you can accurately plan for them in your retirement savings.

Don’t underestimate.
When determining your retirement expenses think about the rising costs of health care, gasoline and travel (just to name a few) that you’ll continue to consume in retirement. Remember to create some contingency plans to cover unforeseen expenses. You likely won’t regret saving a little extra now for your retirement years rather than not having what you will need once you leave the workforce.

It may be a bumpy ride to retirement, but the surest way to feel confident about your future is to plan for it right now.

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Cheryle Brady, is a Financial Advisor with Ameriprise Financial Services, Inc. in Quincy, Massachusetts. She specializes in fee-based financial planning and asset management strategies and has been in practice for 25 years.
To contact Cheryle:
Http://ameripriseadvisors.com/Cheryle.brady
Cheryle.brady@ampf.com
617 691 2167

1 The *New Retirement Mindscape* 2012 City Pulse index was created by Ameriprise Financial utilizing survey responses from 10,063 U.S. adults ages 40-75. The survey was commissioned by Ameriprise Financial, Inc. and conducted online by Harris Interactive from June 13-35, 2012. The national average sample and the 30 U.S. metropolitan areas were each weighted independently to best represent each area. Propensity score weighting was also used to adjust for respondents' likelihood to be online.