Five Retirement Mistakes To Avoid

Jeffrey M. Leonard, CFP®, Managing Principal

Introduction

Whether you've just recently retired, or it is coming up in the next few years, it's likely you may have some financial uncertainty regarding your readiness for retirement. Before making any sudden changes, it is important to remain rational. The brief guide below explains what five big retirement mistakes to avoid.

If you are looking for a financial planner to assist with your retirement savings goals - regardless of your personal circumstances - Leonard Financial Group can help! We can design a retirement and income plan to meet your individual needs and goals. Contact us today for a free consultation.

Sincerely,

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5 Retirement Mistakes to Avoid

Mistake #1: Neglecting Your Emergency Fund

No word describes an emergency better than “unexpected.” Therefore, it should come as no surprise that preparing for the unexpected sits at the top of our list. When times get tough, it can be tempting to forego or forget important financial habits - like padding your emergency fund. If your income has been affected, you may be struggling to make ends meet for the time being but that does not mean adding to your emergency fund should be the first thing to go. A little preparation now can go a long way when the unexpected does hit. From a health emergency to car repairs, you never know what surprises may come your way in retirement.

Mistake #2: Making Unnecessary Withdrawals

Withdrawing from any retirement accounts early could mean big tax penalties and less income in retirement.

Additionally, the money you withdraw from a traditional IRA will still be subject to income tax. And to avoid robbing your future retirement, you'll want to develop a plan to replace that lost income in the coming years. If you're struggling to cover your expenses, talk to your financial advisor about other options you may want to take first. Look into what relief programs your state or local government offers, tap into your emergency fund if necessary and reevaluate your budget.

Mistake #3: Making Emotionally Driven Investment Decisions

Big news stories are hard to avoid - elections, the staggering rates of unemployment claims, the stock market rising and falling, etc.

After absorbing info day in and day out, it's nearly impossible to not let it affect your decisions about money. Should you drain your portfolio and stuff it under the mattress? Do you need to look at rebalancing assets amidst market volatility? Working with an investment advisor can bring an objective, scientific and education-based perspective to the question of what to do with your assets. Together you can focus less on the world around you and more on your individual goals as you head into retirement.

Mistake #4: Forgetting to Reassess Your Current Budget

Have things changed since you last made your monthly budget? Maybe you used to commute to work, and now you're working remotely. Or you used to spend every Friday at happy hour with friends, now you enjoy a quiet evening at home. It's very likely that your daily habits, and what you spend money on, have changed over time.

In many cases, this could be good news. You're spending less on gas or commuter passes, travel and vacation, eating out, gyms and more. Reevaluate what your spending has been like over the past several months and determine if there are any opportunities to put more toward your retirement savings. Depending on your timeline towards retirement, an extra couple of thousand in savings this year could grow significantly over the coming years.

Mistake #5: Ignoring Legislative Changes

In July of 2019, the House passed a new bill titled the "Setting Every Community Up for Retirement Enhancement Act," or SECURE Act.1 The Senate approved the bill on December 19, 2019, and it was signed into law on December 20 by President Donald Trump.

This sweeping bill offers several adjustments to our current laws surrounding saving and preparing for retirement. The SECURE Act is poised to: provide more part-time workers with the opportunity to participate in an employer-sponsored 401(k) plan, adjust the age caps on traditional IRAs and increase access to tax-advantaged retirement savings accounts. While there are additional changes being proposed in this SECURE act, these impactful ways could be making a difference in how you save for retirement.

Most recently, The CARES Act offered relief for families and businesses impacted financially by the pandemic. While the original benefits outlined in this legislation have ended, some programs were extended.

With any new administration, you will want to keep a close eye on what additional federal assistance may be coming. If needed, taking advantage of financial assistance could be crucial to correcting course as you near or continue retirement.

About Jeffrey M. Leonard, CFP®, Managing Principal

Jeff is the founder and Managing Principal of Leonard Financial Group, a Registered Investment Advisor firm providing fiduciary financial planning services for east and central Florida. As a fiduciary for his clients, Jeff is required to act in the best interest of his clients at all times.

Jeff graduated from the University of Texas at Dallas with a Bachelor of Science degree in Computer Science and Math minor. He is Certified Financial Planner™ an Investment Advisor Representative. He is also a member in good standing with the National Ethics Association.

Jeff and his wife, Julie, have been married since 1990 and are the proud parents of two children, Hope and James. Jeff is active in the community having served as coach, treasurer, and president of the Space Coast United Soccer Club since 2003 and a parishioner of Ascension Catholic Church in Melbourne. He and Julie believe in giving to the community and have happily sponsored and donated to many local charities.

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