



Three Regrets of Retirees

A recent survey found that more than half of retirees have retirement planning regrets. Unfortunately, many of these retirees had to cut back on their lifestyles to compensate for financial shortfalls.¹ Considering their most common regrets may help you avoid making the same mistakes.

Not saving enough

More than one-third of retirees wish they had saved more.² How much is enough? The amount you need depends on your other sources of income and your anticipated retirement lifestyle.

It might be helpful to consider the 4% rule, a traditional guideline for the percentage of savings that you may be able to withdraw each year without depleting your nest egg over a 30-year retirement. For example, \$100,000 in savings would provide only \$4,000 in annual income. If you will need \$20,000 from your savings each year, you should have \$500,000 socked away by the time you retire. Withdrawing \$40,000 annually might require \$1 million in savings.

The longer you have before retirement, the more time you have to take advantage of long-term savings and compounding of potential returns.

If you have a workplace plan, you might start by saving enough to receive any employer match and then increase your savings percentage by 1% each year until you reach 15% or more. You

may need to target a higher percentage if you get a late start. Even if retirement is coming soon, you might be surprised by how much you can save if you focus on that goal.

Relying too much on Social Security

Social Security was never meant to meet all your retirement income needs. The average 2019 monthly benefit of \$1,461 for a retired worker and \$2,448 for a couple would hardly provide a comfortable retirement. The 2019 maximum worker benefit of \$2,861 at full retirement age would be better, but that would require maximum taxable Social Security earnings for at least 35 years. If you postpone claiming Social Security after reaching full retirement age, your benefit increases by 8% annually. For example, if you were born in 1960 or later, your full retirement age will be 67 under current law, so working until age 70 would increase your benefit by 24%.³

According to the most recent trustees report, Social Security may be able to pay out only 77% of scheduled retirement benefits beginning in 2034, unless Congress takes action to strengthen the program.⁴ Considering the importance of Social Security, it seems unlikely that benefits will be reduced to that level, but this is another reason not to count too much on Social Security benefits for retirement income.

Not paying off debts

Carrying heavy debt can be a strain at any stage of life, but it can be especially difficult for retirees living on a fixed income. Paying off your home before you retire not only reduces your monthly expenses but also provides equity that could be tapped if necessary for future needs. Before paying off your mortgage, however, it might be wise to pay off credit cards and other high-interest loans.

The road to retirement can be challenging, but avoiding the mistakes made by those who have traveled before you may help you reach your destination with fewer regrets.

¹⁻² National Association of Plan Advisors, December 8, 2018

³⁻⁴ Social Security Administration, 2019

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