FOX BUSINESS

9 mistakes to avoid before retirement

By Linda Bell

If you dream of living comfortably in retirement, Len Hayduchok, CEO of Dedicated Financial Services says it's important to get your finances in order before you retire.

"When we are working, just the fact that we potentially have extra money coming in allows us to get away with poor financial choices or sloppy financial decisions," he says. "When we don't have the luxury of excess cash flow, then our mistakes and errors become much more evident and we can get ourselves into trouble."

Hayduchok shared the nine mistakes everyone should avoid before retirement:

Not downsizing or paying off your mortgage

Reducing your cash outflow when living in retirement is critical. Hayduchok says this is particularly important when you aren't earning any income. If you don't keep your overhead down, you will have to cut back on your spending and draw on your resources more quickly than you would like.

"One way to do that is with your mortgage or rent," he says. "Just pay that off so you don't have ongoing cost for living expenses to deal with."

Ignoring the risk of long-term care

Hayduchok says long-term care is the biggest financial risk we face in retirement. Not only can it be expensive, but care can also extend for a long period of time. Many of us ignore the possibility of long-term care because it's something we don't want to think about. He says we also underestimate the chance we might need it.

"Sometimes we think, it's no problem, someone will just care for me," Hayduchok says. "My spouse will care for me or my children will help out. We don't realize what a strain that could be on others to provide that care for us."

He says it's important to come up with realistic solutions in the event long-term care is needed. Closely examine your financial resources. Look into purchasing a financial product for your needs. Be prepared to be covered by a government Medicaid program.

Not understanding how your portfolio works

Hayduchok says it's a mistake to believe that all you have to do is withdraw a certain percentage of your 401(k) each month and you will be set for life.

"If we are not able to control our expenses or get the returns we want from our portfolio and limit our investment risks, that sum of money is going to reduce to the point that there will not be enough money in our 401(k) for us to maintain the standard of living for the rest of our lives," he says.

Hayduchok stresses what may have worked for your portfolio during your working years may not work when you are retired. Your income likely won't be the same. If you aren't working, you won't have extra funds to cushion you if you make financial errors or have bad results in the market.

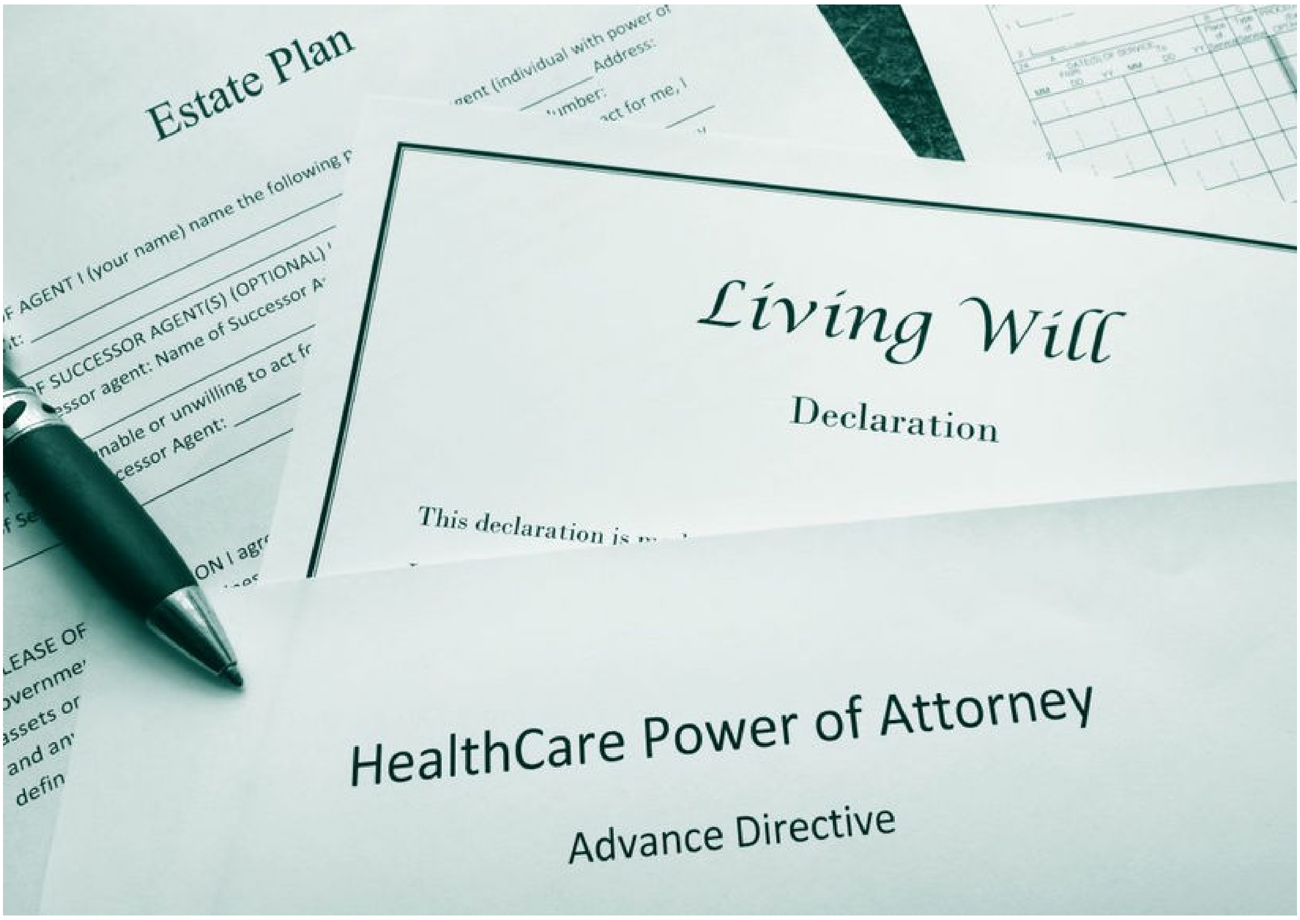
Too much or too little risk

As we head closer to retirement, the common wisdom is to move your money into lower-risk vehicles. You don't want to be in the position where the market falls apart and you lose a lot of money. Hayduchok says the problem is that some people look at their portfolios as a whole, instead of in parts. His advice is to divide your portfolio into time frames for withdrawals or objectives you have. Part of your portfolio can meet your short-term needs, have less risk and more liquidity. The other part of your portfolio can meet your long-term needs and have more risk. This would allow you to continue to have significant growth opportunities.

Not having legal documents in order

Financial planning involves looking at potential events in our life we'd rather ignore. No one wants to think about dying and who will get their posessions when they die. It's also difficult for some people to discuss who will take care of their affairs if they are unable to manage them. Hayduchok says that's why wills, living revocable trusts, and other legal documents are essential.

"If we don't get these legal documents in place, that doesn't mean those events aren't going to happen," he says. "It only means if and when they do happen, there will not be a proper structure in place to handle those affairs as we would like them to be handled. It becomes a potential problem for those that we expect will handle things for us."



Not having beneficiaries on an investment account

There are a few ways assets pass onto others when we die. If they are owned jointly, the surviving owner takes possession of the assets. Another way is by naming a beneficiary. If neither joint ownership or a beneficiary is named, the assets will pass down via the stipulations of a will. Hayduchok says don't forget to designate beneficiaries in your will, otherwise your wishes may not be carried out.

Transferring a house or property to a child before death

Some parents think transferring their house to their child's name before they die is a smart move. Not only does that ease the probate process, but it also relieves the risk of what would happen to the parent's home if they went to a nursing home. However, Hayduchok warns people against doing this. He says if children have legal entanglements because of lawsuits or financial issues, the house may get wrapped up in those legal affairs. When the house is put in their son or daughter's name, the parent might also give away a tax break the child might otherwise be entitled to. He says the best solution is to put the house into an irrevocable trust, so that the property would be protected.

Doing finances, yourself

Sometimes people think they are good financial planners because they've had some positive results in investing. Hayduchok says that's a potentially costly assumption to make. Financial planning can be very complex. He says by not seeking the advice of experts who have come across many different financial situations, consumers are missing out on a huge resource of experience and expertise.

Moving far away from family

Before retirement, it makes sense to reduce costs by moving to a low-tax, low cost of living state. However, Hayduchok says that may not be the best financial or emotional move. If you move far away from your family, you may spend a lot of money on travel. You may also be unhappy because you will be disconnected from family and friends.

“Financial planning doesn’t happen by accident,” he says. “It’s a lot of work. It’s a lot of effort. It only happens with a dedicated process of working through financial objectives, goals and potential issues and coming up with solutions for all these objectives.”

INVESTOR'S BUSINESS DAILY®

Estate Planning Tips: 8 Ways To Help Your Spouse After You Die

PAUL KATZEFF12:54 PM ET 10/12/2018

One of these days, you're going to die. Other than leaving your spouse mounds of money, how can you financially safeguard your spouse when that happens? What practical estate planning steps should you take now?

It's vital to ask yourself that now and not wait until it's too late. Upon your death, your loved ones will be distracted by grief and myriad emotions. Your spouse in particular will also be burdened by the need to proceed with practicalities, ranging from your funeral to paying bills.

You won't be around to help. But you can take estate planning steps now to make the transition to life without you easier. Most do not require a lawyer or tax professional.

These steps will help your spouse know what regular expenses must be paid, where your financial accounts are, how to access them and, yes, who gets how much of any assets you leave behind.

The steps also include instructions for reaching folks like your lawyer, accountant, broker and insurance agent.