5 Easy Ways to Go Broke In Retirement

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There are a lot of reasons to worry about finances in retirement. Even if you've followed all the traditional wisdom and built a healthy nest egg, you can still end up in a rough spot and retire broke.

But if you can spot the common mistakes people make to retire broke, then you can avoid a lot of financial worry. Here are 5 to look out for.

Skipping the Downsize

Letting go of your home can be a challenge in retirement. You likely spent decades paying off the mortgage, so why sell it now?

But maintaining your pre-retirement standard of living is one of the easiest ways to retire broke. If you want your income to last the potential 20+ years you'll live post-retirement, then downsizing is a necessity.

And it's not just about moving to a smaller house in your neighborhood. Consider moving to a more affordable city, state (or if you're brave, country). You'd be surprised how much money you can save on housing, car insurance, eating out, etc. by just moving to a more affordable city. Use a tool like Numbeo to compare and see for yourself.

Continuing to Support Your Kids

The Bank of Mom and Dad can be hard to close. Millennials are facing their own financial struggles in today's market, and most parents want to help.

But the reality is, the more you support your kids during retirement, the more likely it is they will need to support you when your savings run out. Avoid retiring broke by assisting your kids in building additional streams of income themselves so they can pave their own long-term path to retirement.

Allowing Debt to Follow You Into Retirement

Ideally, you'd want to be completely out of debt by the time you retire. But that's increasingly not the case for many retirees today. According to the Consumer Financial Protection Bureau, about 30% of homeowners age 65 and older still have mortgages. I've seen other cases where seniors are paying off student loans they took out for their kids or grandkids.

If you still have a mortgage, credit card debt, or other debt issues, it's advisable to delay retirement until you're debt free, even if you have a healthy nest egg.

Wrong Asset Allocation

If your retirement strategy involves portfolio investing, then you need to pick the right asset allocation for your stage of life. When you're younger, you'll want to invest more in stocks (Traditional recommendations say 60% stocks pre-retirement, 40% stocks in early retirement, then 20% stocks in late retirement). It's important to switch your allocation to less risky assets as you age.

I know of many people who are trying to catch up on retirement savings late-career decide to make riskier investments. But that's another easy way to end up retiring broke. There are other ways to bridge that gap (read on below).

Relying on Only One Source of Income

You probably already know that whatever social security benefits you're entitled to won't be enough to support you and your spouse in retirement. You may have a traditional retirement plan to go along with it, like an IRA or 401(k).

That's a great start, but still likely won't be enough to support you during retirement. If you really want to have protection from economic changes, major healthcare issues, and whatever other expenses might come up in retirement, then you should develop another source of income.

Living off one income or off only a pile of depleting money is living in fear. If your one source of income disappears, you have no back up. Living with this fear constantly is not a solid plan.

This can be stock or real estate investments, or a personal business. There are many different jobs to do after retirement. It's actually fairly simple to set up an online business and have it mostly automated so you can really be retired during retirement.

If you're worried about retirement, RetirementRehab can help! Join our community by signing up below to learn more about how to start a business and avoid retiring broke.

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