The Worst Ways to Prepare for Retirement

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Retirement Rehab

You're a corporate worker and you've tried to prepare for retirement but you know it's not enough. Don't worry, your retirement concerns aren't unique.

That said, a lot of traditional retirement planning advice really doesn't apply to you, and you don't have time to mess around with outdated tactics.

Whatever you method you choose, make sure you avoid these worst ways to prepare for retirement.

Expecting Social Security

It's common knowledge at this point that Social Security is nowhere near enough to sustain even the most austere retirement. But expecting to have SS at all is the mistake I'm talking about here.

The SS benefits trust fund is expected to be depleted by 2034. But an estimated 10,000 baby boomers retire every day, so don't be surprised if it happens sooner.

And like it or not, there's a pretty good chance you'll live a long time. In 2034, 70 could be the new 40.

Relying on pay raises and bonuses

Annual pay raises encourage workers to keep up a good performance, but not much else. In a good economy, pay raises come in at 1-2 points above annual inflation. That's so measly, you can't expect it to have an impact on your savings.

Bonuses aren't a reliable prospect either. In a recent study, consulting firm Towers Watson found that bonus pools came in below target for the last 5 years in a row. They say it reflects a 'rise in talent mobility.'

The bottom line is, you simply can't rely on pay raises or bonuses for your long-term savings plans. For all sorts of reasons they can end up being measly or completely nonexistent. Some companies, like GE, are considering scrapping the pay raise system altogether.

Failing to diversify risk

Most people do one of two things with their money to save for retirement:

- Hoard it in a savings account
- Invest in the stock market

Both of these strategies have problems. No matter the benefits of your accounts, inflation will erode your savings. Not to mention another financial crisis could make it so the bank can't hand over money, even if US laws and your contract's fine print says differently. It happened during the Great Depression, it nearly happened in Greece a year ago, and it could happen again.

If you’re already a mid-career professional and are just getting started investing in the stock market, then you won’t make much progress with a diversified, low-risk portfolio over the next 10 or 20 years. But risky investments aren’t an option to gamble your life’s savings either.

Prospects can seem pretty bleak for the corporate worker, but don’t let these retirement concerns get you down. You can build an effective strategy to start saving big, as long as you think outside the box and avoid unnecessary risks.