Nine Common Misconceptions about Retirement Investing

Today we are going to be talking about some common retirement misconceptions. These come from a July 2018 article from the Forbes Finance Council entitled, "Nine Common Misconceptions about Retirement." In this article, nine different members of the council each contributed one misconception that they have encountered working with their clients.

1. All Savings Should Be in IRAs and 401(k)

While IRAs and 401(k)s are valuable options in your retirement savings, you may find yourself feeling handcuffed without more savings in cash or other assets. Our Color of Money Risk Analysis tool is a great way to determine what mix of assets may be right for you.

2. Retirement Is a Finish Line

Retirement is often just a mile marker in life; for many retirees there is a long road ahead. That journey could be filled with adventures and challenges. Saving for retirement should include a plan to, and through, this next stage of your life. Working with a financial services professional can help you prepare a strategy to not just survive in retirement but thrive.

3. Assets Don't Need to Grow with Your Income

Another common misconception is that people don't need to increase retirement savings when they receive an increase in income, such as a raise. However, it is a double benefit to save more. Saving more helps with today's tax bill and tomorrow's expenses.

4. Invest in Bonds as You Grow Older

Often, individuals have the misconception that as they age, they should move more and more of their money into bonds and other perceived safe investments. While this may fit the risk tolerance of some investors, each investor is unique, and their risk tolerance will change over time. Using the Color of Money Risk Analysis tool is not a singular occurrence. I recommend that my clients take the analysis as they continue down their path to retirement and even in retirement itself. That way they can make sure their portfolio is in line with their current financial perspective on risk.

5. Distribution Isn't a Major Concern

Accumulation is what you do leading up to retirement. *Distribution strategy* is making sure you don't run out of money during retirement. When you remove money from your savings can impact your market risk and taxable income.

6. Saving 10-15 percent Is Enough

Saving 10 to 15 percent of your income may be enough if you began saving early in your career. However, many individuals start saving later in life. So, you may need to dramatically increase your savings – potentially to 20 percent of your income or more. You can work together with a financial services professional to make sure you're taking full advantage of compounding interest.

7. Start Investing Only When You Have Enough

Far too often, people wait to begin saving. But even a small amount can add up over time. You can automate your saving and automatically begin saving with each paycheck. It is never too early to start saving and today is a great day to start.

8. Financial Advisors Will Only Act in Your Best Interests

According to a recent Personal Capital survey entitled, "2017 Personal Capital Financial Trust Report" Nearly half (46 percent) of Americans believe all financial advisors are required by law to always act in their clients' best interests. However, the truth is only financial advisors who are fiduciaries (such as Registered Investment Advisors) are required by law to act in the best interests of their clients.

9. Retirement Means Your Life Is No Longer Useful

Some individuals feel that retirement is an ending, like the idea of putting the horse out to pasture when it can no longer work the field. However, for many retirees, retirement is just the beginning. They now have the time to travel, volunteer or go back to school. Retirement should be a time to enjoy the fruits of your hard work. However, happiness can be elusive unless you have a goal to keep yourself occupied mentally, physically and socially.

Sources:

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