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Mitchell Kauffman: Financial Confidence in Retirement

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As more baby boomers approach their golden years, they're faced with a plethora of challenges. The issues can be formidable, especially for those with greater resources.

To the extent that these are effectively addressed, the promise of those golden years can be more readily achieved with less stress both during and after the transition.

Henceforth, the top 10 most common mistakes to avoid:

» 1. Procrastinating: Often people do not begin their retirement planning until retirement is upon them. Depending on your situation, most experts urge that this process begin no later than five years prior; ideally at least 10 years or more before is advisable.

» 2. Not considering how much retirement income will be needed: Estimates vary as to how much a person's or couple's expenditures will change once they retire. Generally, 75 percent of current income is a rule of thumb. Obviously, this has to be adjusted for factors such as projected mortgage (if any), downsizing of residence, travel, etc.

» 3. Not estimating how long retirement income will need to last: You hear it all the time; people are living longer, and hopefully you will be among the growing number of centenarians. Other issues may arise as well, such as the likelihood of needing to provide financial assistance to parents, children or even siblings. Careful, objective planning and ongoing management will be needed to make sure there will be enough income.

» 4. Over-reliance on Social Security: This program was always intended as a safety net and not to meet all of a retiree's income needs. With questions arising as to the system's soundness, it is more important than ever to have sound planning in our own financial affairs.

» 5. Postponing Social Security benefits: Those eligible for Social Security retirement benefits may want to strongly consider taking the money now, rather than waiting. Although some people in the highest income-tax bracket or with a family history of longevity may find reasons to wait for the larger payment, for most retirees the decision is a simple question of mortality statistics. On average, Americans live into their early or mid-80s. Calculations show that a 65-year-old who waits five years to begin taking maximum Social Security payments won't recoup the forgone money until he or she approaches their early 80s. Of course, the recipient's plans to continue working should be weighed carefully in this decision.

» 6. Dismissing the possible need of long-term care: It's easy not to think about the prospect of long-term care, particularly if someone close has not fallen victim to chronic diseases such as Alzheimer's. The reality is that if not properly planned, the ever-increasing costs of long-term home and nursing care can rapidly deplete a lifetime of savings. If necessary, long-term care insurance can make the difference between a comfortable, calm retirement and one filled with financial insecurity.

» 7. Retiring early without adequate planning: An early retirement can present exponentially greater challenges to one's savings. That's not to say it should not be done, but it is particularly critical that a game plan be developed well ahead of time to help ensure there will be enough income to last.

» 8. Assuming retirement planning is a one-time event: Especially with the rapidity of life's changes today, a plan constructed even a year ago could be sorely in need of revision. Changes in the markets, interest rates, even our own personal preferences, necessitate periodic, ongoing reviews and adjustments.

» 9. Forgetting about income taxes: Just because we retire doesn't mean income taxes go away, starting with how best to handle lump sum distributions from a retirement plan. During retirement income tax planning can be even more critical to preserve the nest egg. Especially with the onset of required retirement plan distributions, it is important to continually evaluate whether to take the minimum or to accelerate withdrawals.

» 10. Believing in retirement nirvana: Just like "the grass is always greener," retirement can be seen as the cure for many of life's woes. For those unprepared, the added time available can create a whole new set of challenges. Statistics show that the average new retiree spends about 45 hours a week watching television. For a fulfilling retirement, it is important to prepare for the psychological as well as the financial aspects. Just as a surgeon is advised not to operate on him or herself or loved ones, it is often invaluable to have independent, objective, expert advice in developing and managing a program for your retirement years.

Mitchell Kauffman provides wealth management services to corporate executives, business owners, professionals, independent women, and the affluent. He is one of only five financial advisors from across the U.S. named to Research magazine's prestigious Advisor Hall of Fame in 2010, and among a select list of 100 over the past 20 years.

Inductees into the Advisor Hall of Fame have passed a rigorous screening, served a minimum of 15 years in the industry, acquired substantial assets under management, demonstrate superior client service, and have earned recognition from their peers and the broader community.

Kauffman's articles have appeared in national publications and he is often quoted in the media. He is an Instructor of Financial Planning and Investment Management at the University of California at Santa Barbara, Santa Barbara Community College, and Pasadena City College, and is also on the President's Council of SBCC. For more information, visit www.KauffmanWM.com or call (866) 467-8981.