

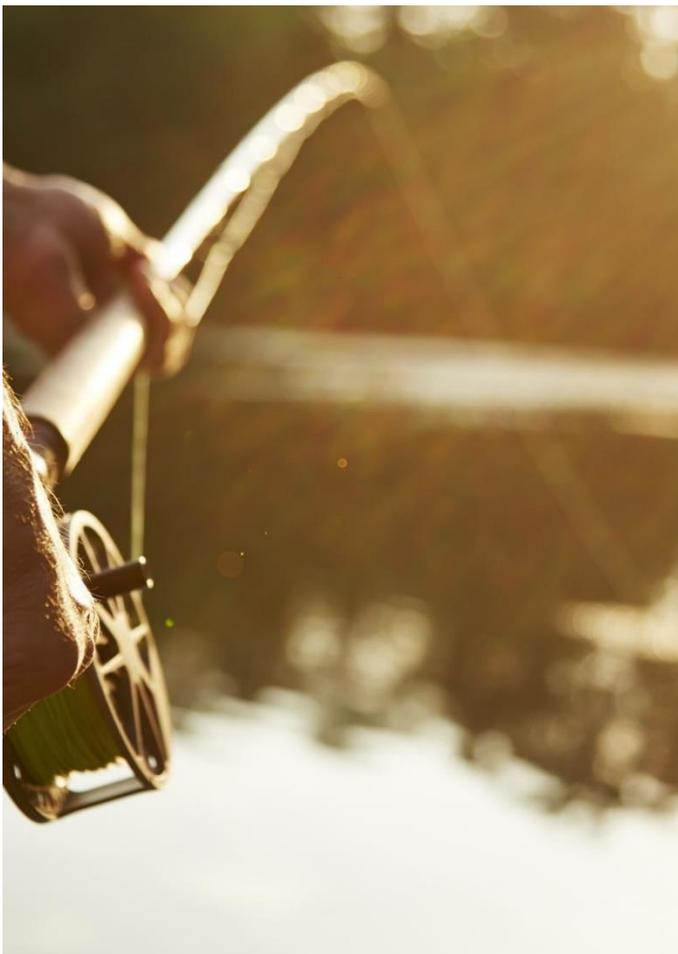
DON'T JUST DREAM ABOUT RETIREMENT, PLAN

Many of us dream of retirement but let our finances choose our reality. Here are some of the worst mistakes being made today.

Underestimating life expectancy

Twenty-five years ago, insurance companies estimated life expectancy at 83 years. Despite the volumes of media coverage generated over recent years about our increasing life spans, many investors still underestimate – often severely – just how long they could live. This plays havoc with retirement planning and finances.

Many financial planners now develop retirement plans based on life expectancy of 90 to 95 years. While people get it intellectually, the implications of longevity haven't been an integral part of their thinking. Recently a 90-year-old woman told me her friends were planning a party for her with 150 guests when she reached 100.



Failing to consider long-term care costs

Premature long-term care can be difficult to anticipate and cover. The notion of spending a few thousand dollars a year for long-term care insurance, versus the possibility of hundreds of thousands of dollars in the future, is smart money management.

Making large loans to family members

When a family member asks for a large loan for a house, college, or to start a business you have to assume those funds will not come back into your retirement plans. Big withdrawals from your nest egg can seriously affect your ability to spend in later years. You may not be in a position to be as generous as you would like.

Underestimating expenses in retirement

Forget all the old rules. You may not be spending a lot less money when you retire. Today, many retirees are healthy, travel more, and they're fixing up their houses. Maybe spending slows in later years, but not at first. Starting to plan for retirement cash flow and expenses can be as simple as preparing a detailed budget for your current cash flow and expenses and then beginning to adjust for life changes.

Focusing on finances not life

While the need to grow your nest egg is critical, you cannot focus only on finances and neglect the most important part of later life. What do you want to do when you retire?

If you wait until you are ready to retire to start planning, you are letting your financial situation frame how your retirement looks. To make your retirement dreams a reality, visualize your retirement dreams and contact a financial advisor who can help you plan to make it happen.

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