A financial advisory practice of Ameriprise Financial Services, LLC

Five financial mistakes to avoid in retirement

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You deserve peace of mind in retirement, which could last 20+ years. Here are five common mistakes to avoid so you can stay on track toward your retirement goals:

1. Overspending

Retirement often comes with the joys of more free time and flexibility — which may make it easier to overspend. And in the early retirement years, especially, your expenses can add up as you adjust to a new lifestyle, such as more events with grandkids, a home renovation, high-ticket hobbies or travel. It's crucial to understand what not to do in retirement and maintain a balanced financial approach to ensure your long-term financial security.

How to stay on track: Think about developing a budget for essential needs first, and a secondary one for lifestyle spending. You could adjust both as needed.

2. Miscalculating inflation's impact

Inflation — even at lower levels of 1-2%— can erode your purchasing power over time and have a significant impact on your retirement income. As such, it should be factored into your personalized income strategy to help your assets last longer in retirement.

How to stay on track: Financial advisors at S&T Financial Services, a financial advisory practice of Ameriprise Financial Services, LLC, can work with you to create a personalized strategy for investments and retirement income to help you maintain your purchasing power over time. For example, that might include allocating more to stocks with a history of dividend growth, if appropriate for your situation. Dividends are a cash return on your investment in a stock. Dividends are not guaranteed and can be impacted by taxes and inflation.

3. Underestimating medical expenses

Medicare is a valuable program for many retirees, but it wasn't designed to cover health care expenses in full. In some cases, premiums and copays for covered services may become significant. Medicare also does not cover the following:

- Deductibles and copayments
- Cost of care for dental, vision and hearing conditions
- Long-term nursing-home care

How to stay on track: A financial advisor can help you understand the financial aspects of retirement health care and recommend solutions that help you prepare for uncertainty.

4. Undervaluing Social Security benefits

Because Social Security income lasts your entire life, deciding when to file for it is key.

You can begin receiving Social Security as early as age 62 — but in doing so, your monthly benefits may be reduced for life. If you're able to wait to collect benefits, it may be worth it in the long run.

However, everyone's situation is unique — and waiting may or may not be the right choice for you. Consider the following variables:

- Varying tax rates on Social Security income
- Capital gains and IRA withdrawals
- Health issues and life expectancy in your family history
- Whether your current retirement accounts and additional sources of income (including Social Security or pensions) will cover your essential expenses before you reach full retirement age

How to stay on track: Work with a financial advisor to start planning your Social Security income strategy early – the general rule is five years ahead of your estimated retirement date.

5. Retiring too soon

The age at which you retire impacts your income and lifestyle. If you choose to retire at a younger age, it could result in lower Social Security benefits due to lower lifetime earnings that factor into the calculation. Early retirement also requires you to have more assets to pay for essential and lifestyle expenses, account for inflation and self-fund your health care before you are eligible for Medicare (generally, at age 65). Avoid these retirement planning mistakes to secure a more stable financial future.

How to stay on track: A financial advisor can make personalized recommendations and review your portfolio to help support your desired retirement timeline and goals. Before that meeting, consider using a retirement planning calculator for a general assessment of how long your funds are expected to last in retirement.

Stay more confident throughout retirement by meeting with a financial advisor from S&T Financial Services

Meeting regularly to review your goals, progress and investments can help you stay on track and avoid these common mistakes in retirement. You also can check your accounts and progress anytime online, from any device.

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