

5 MAJOR MISTAKES PEOPLE MAKE BEFORE RETIREMENT

A good retirement draws on a lifetime of saving and work. But, despite its huge importance, many people slip up in the years just before this milestone. Some of these mistakes are the result of not understanding retirement, while others are conscious decisions that simply have a greater impact than estimated. Here are five of the biggest mistakes people make as they approach retirement

1. Decreasing Retirement Savings

As retirement gets closer, those with accounts projected to meet retirement needs often cut their savings, thinking that their money won't grow much before retirement. You should remember that this money will actually keep growing until the end of retirement, 20 or 30 years down the road.

2. Not Preparing a Budget

Do not wait until retirement to make a detailed budget. Budgets built on "frugal" spending or optimistic estimations can be broken by relatively small lifestyle changes. Create your retirement budget years in advance and tweak it annually to improve its accuracy.

3. Taking Social Security Early

Those who take social security benefits before their full retirement (benefits are available as early as age 62) will receive reduced payments. If you are still working, tax repercussions may make delaying benefits a smart option.

4. Lending Too Much to Family

For most, supporting family is of the utmost importance. But retirees need to remember that children and grandchildren have decades more to recover from losses and debt than they do. It may be hard to say "no," but if handing out loans scuttles your retirement, it will end up costing everyone in the family more money.

5. Relying on Home Values

Many people rely on their home equity to fund a substantial portion of their retirement. While using home equity is not necessarily a bad thing, diversify your assets as much as possible to avoid home prices from dictating your entire retirement.

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