THE SIX MOST COMMON RETIREMENT MISTAKES

AND HOW TO AVOID THEM

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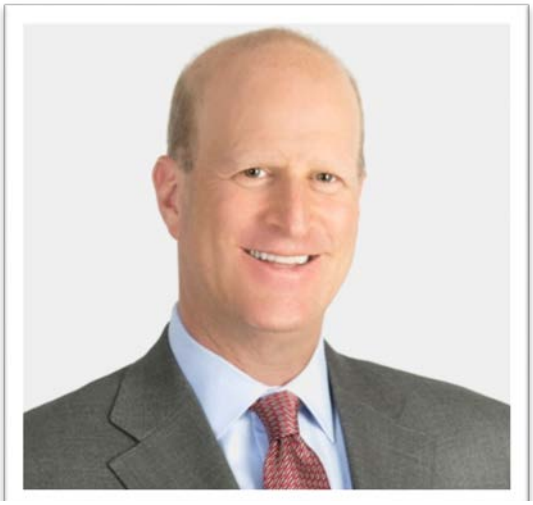
About Jordan Dechtman



Jordan Dechtman
Founder & CEO
Dechtman Wealth Management

For over 30 years, Jordan Dechtman has pursued a singular mission—to develop retirement income strategies to help clients ensure their golden years are just that—truly golden—and in the process, create an income stream for life.

In 1984, he founded his own retirement consulting firm that has grown to become, Dechtman Wealth Management. Rather than utilize the one-size-fits-all approach that is so common in today's retirement planning, Dechtman Wealth Management. starts with a clean slate to design a custom fit retirement income strategy for each client. Dechtman Wealth Management is an independent financial advisory firm, that works exclusively for its clients, and does not have a conflict of interest working with a brokerage firm or insurance company. As Jordan says, "The central question retirees must address is this: Will you outlive your money or will your money outlive you?" This is the very reason we created this guide.

Jordan's office is headquartered in Centennial Colorado, but works he with clients throughout the United States.

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These days, planning for retirement isn't just a luxury. It's a necessity.

Retirement has become too complex to just pick a day and stop showing up to work. And it's more than complex—retirement is also *expensive*. You have to factor in expenses, taxes, and other spending. There are many ways to pay for it, but which ways are the best ways? How much do you need to save, how should you invest?

Many pre-retirees don't know the answers to these questions. As a result, there are several common mistakes they tend to make.

Each mistake on its own can severely affect your retirement lifestyle.

THESE MISTAKES ARE:

1. **Failing to have a proper retirement plan.**
2. **Having improper asset allocation.**
3. **Failing to calculate the tax-consequences of retirement**
4. **Failing to plan for health-care expenses.**
5. **Failing to maximize social security benefits.**
6. **You'll have to get to the end to discover this one.**

MISTAKE #1

"When a man retires, his wife gets twice the husband, but only half the income."

Chi Chi Rodriguez

#1 Failing to Have a Proper Retirement Plan

"Failing to plan is planning to fail."

I'm sure you've heard that saying many times before. Most people, when they hear it, nod their heads and think, "Good advice." But when it comes to their money, are they taking it? Do they have a plan for their finances, or are they, in fact, planning to fail?

There's a simple way to find out. Go around to different people you know. Mention the quote above.

Ask them, "Do you agree with it?" Count how many people nod their heads. Then ask, "Do you have a plan for your finances?" Then stand back and watch how many nods turn to blank stares.

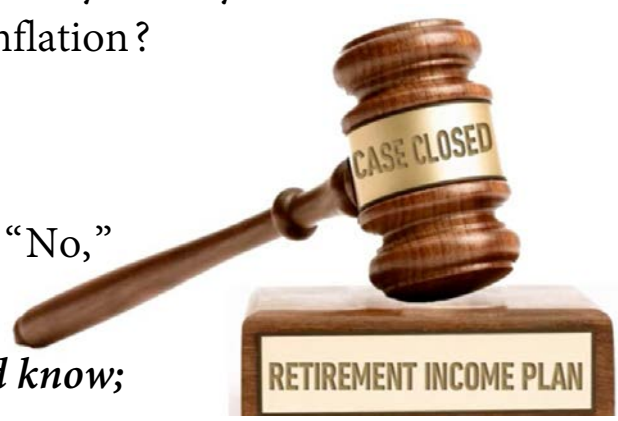
Now it's your turn:
Do you have a plan for your finances?

"Retirement at sixty-five is ridiculous. When I was sixty-five I still had pimples."

George Burns

When it comes to your money—and your retirement especially—failing to plan really is planning to fail. Ask yourself these questions:

- Do you know where your income will come from after you retire? Do you know if it will be enough to meet expenses? Furthermore, do you have any idea how much you'll actually need?
- Have you decided what you want to do with your golden years? Have you figured out how you'll pay for it?
- Are your investments suitably liquid so you can meet any unexpected expenses? Do you have a plan for minimizing taxes, both for yourself and your heirs?
- Have you planned for what could happen if your health goes bad, or your spouse passes away? Are your retirement accounts protected from inflation?



If the answer to any of these is "No," don't feel bad.

There's only one way you could know; by planning

MISTAKE #2

#2 Having Improper Asset Allocation

Improper asset allocation is one of the most common mistakes that a pre-retiree can make.

Why is asset allocation so important? Look at it this way: if you were to only eat one food every day for your entire life, your body would be very unhealthy. If you were to exercise only one group of muscles for your entire life, your body as a whole would be very weak. And when you invest all your money in the same way, the same could be true of your finances. The three main classes are equities (stocks), fixed income (bonds), and cash. There are other classes, of course, like commodities and real estate., in addition to sub-classes.

The thinking behind asset allocation is that by mixing your investments within these different classes, you take on less risk; if one class goes down in value, the other classes you've invested in can compensate.

Mistake #3

"When you retire, you switch bosses - from the one who hired you to the one who married you."

Gene Perret

#3 Failing to Calculate the Tax Consequences of Retirement

Many pre-retirees only think about how much they'll have to save or invest … not how much they'll owe Uncle Sam.

It's true that for many people, their tax rates may actually be lower in their retirement years. But there are many retirement decisions to make that can affect your tax situation. Below are a few tax-related issues to think about as you prepare for retirement.

- ❑ Change In Tax Bracket
- ❑ Some Retirement Savings Qualify As Income
- ❑ Taxes on Social Security Benefits
- ❑ Capital Gains and Dividend Taxes

Mistake #4

"Retirement kills more people than hard work ever did."

Malcolm Forbes

#4 Failing to Plan for Health Care Expenses

What is retirement? Is it a chance for you to travel the world, play with the grandkids, take up that hobby you've been putting off, or just relax and read a book? Yes, retirement can be all these things and more. Unfortunately, your retirement years are also when your body starts to slow (and break) down.

You may not notice it immediately. Say you retire at 65, full of energy and with no health problems. But in five years? Ten years? Fifteen? By that time, you'll be eighty. They say age is a state of mind, but it's also a fact of life, and this fact means inevitable changes to both your health and your pocket book.

Your medical expenses *will* go up after retirement and the further into retirement you are, the higher your expenses will likely be.

"First you forget names; then you forget faces; then you forget to zip up your fly; and then you forget to unzip your fly."

Branch Rickey

Those that *do* plan often underestimate exactly how much their medical expenses will cost. ***For example, a 2013 study by Fidelity Investments suggested that 48% of people ages 55 to 65 believe they will need only $50,000 to pay for their health-care costs in retirement.***[1]

But the true number is likely to be much higher than that. According to the Employee Benefits Research Institute, a couple on Medicare with median drug expenses (meaning at the mid-point of expected prescription drug use for retirees) needs approximately $151,000 in savings "to have a 50 percent chance of having enough money to cover health care expenses in retirement."[2]

That's a lot of money. There are just so many aspects of health care that will have to be covered. Besides medicine, there are regular visits to your doctor, hospital stays, surgeries, long-term care, and more.

Nearly half of high net worth individuals… are "terrified" how rising health care costs could decimate years of retirement planning.

Source: Nationwide Financial Survey, May 7, 2012

Hopefully this gives you a little glimpse of how important it is to plan for your medical expenses. But how do you pay for them? The obvious answer is "work longer and retire later," but let's delve a little deeper. Here are a few things you can do:

1 Learn your various Medicare options.

If you are one of the lucky few who will have employer-provided health care coverage even after retirement, congratulations. But if not, start familiarizing yourself with the intricacies of Medicare now.

2 Look at Medigap.

Medigap supplemental insurance is sold by private insurance companies, and is designed to help pay those costs not covered by Medicare. Medigap isn't free, and certain criteria must be met before you can purchase it, but it's definitely a route to consider.

3 Invest properly.

Your investment portfolio can be an invaluable tool if used wisely. One way to use it wisely is to invest a portion of your money with growth in mind.

4 Consider long-term care insurance.

Important disclaimer: not everyone will need long-term care or assisted living in their lives. That said, many people do, and long-term care (LTC) insurance is one of the best ways to pay for it.

5 Keep your body healthy.

I'm a financial advisor, not a doctor or trainer, so I'm not in the business of providing tips on healthy living. But this one is just common sense, and it's amazing how often it's overlooked. Keeping yourself healthy now can save you a *lot* of money in the future.

MISTAKE #5

#5 Failing to Maximize Your Social Security Benefits

Social Security should and will play a large part in your retirement plan. Failing to give your Social Security benefits the attention they deserve is basically just a way of denying yourself money for retirement. To help you avoid this mistake, here are ***three ways to potentially increase your Social Security Benefits…***

1. Delay collecting your benefits.

Technically, you can begin receiving benefits as early as age 62, but if you do so, your benefits will be reduced significantly. For example, if you were born between 1943 and 1954, your payouts would be reduced by 25%. And the reduction isn't temporary. It's permanent.

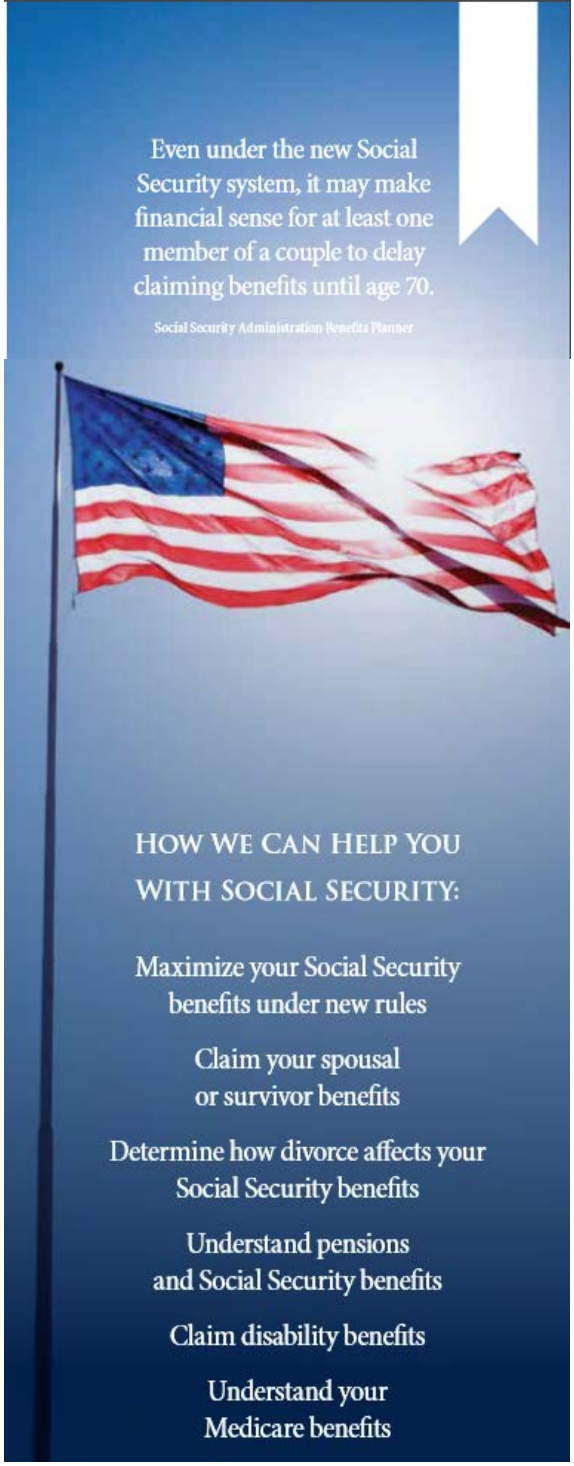
Waiting until your "full retirement age" is probably a better option—it means you won't face any reduction. What is your "full retirement age?" It's the age at which a person may first become entitled to "full" or "unreduced" retirement benefits.[3] This chart gives you the specifics:

Year of Birth	Full Retirement Age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

2. Claim spousal benefits.

Another way to potentially maximize your Social Security is to claim a spousal benefit. Married individuals can claim Social Security based on either their personal earnings record (in other words, their own work history) *or* on their spouse's earnings record. If a married individual chooses the latter, they would receive up to 50% of their spouse's benefit.

Why would you choose to claim Social Security based on 50% of your spouse's earnings record rather than your own? It's simple: because you can claim whichever number is higher. Be aware, however, that you cannot claim a spousal benefit until your spouse has filed their own claim.



3. Claim Survivor Benefits

Imagine a hypothetical couple, John and Mary. Let's say that both claimed Social Security based on their own earnings records. Now let's say that John dies of a heart attack, leaving Mary behind. Under certain circumstances, Mary can file to receive John's benefit, *or* increase her own benefit to the same amount that John enjoyed, if John's number is greater.

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#6

Not Dreaming About All The Amazing Things Retirement Can Be!

Retirement is about finally having the opportunity to focus on *living*. It's no longer about getting ahead in life, but about experiencing life itself. For that reason, retirement should be fun. It should be enlightening. It should be rejuvenating. Above all, retirement should be … whatever it is you want it to be!

There are many people who never take the time to dream. They never create their bucket list; never ponder their deepest, sweetest desires. It's quite possible to spend too much time worrying about *how* to retire and not enough on *why* you're retiring, or *what* you want to do in retirement.

When it comes to retirement, here's the first thing we at Jordan Dechtman Wealth Management always tell our clients:

"If you want to work for the rest of your life, that's your business. If you don't, that's ours."

When it comes to retirement, here's the second thing we always tell our clients:

"If you can dream it, we can help you do it."