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Noel Swain: Don't Make these Retirement Mistakes

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It is the nature of humans to form habits and then keep those habits up as we get older.

Routine, in most instances, is good for us. It helps to simplify our lives by not having to make decisions about the little things, thus saving the creative parts of our brains for the more difficult decisions we must make.

But sometimes routine can hurt us.

In a recent issue of Investment News, there was an article about the six perennial mistakes retirees make. They are mostly a continuation of doing things the way we have always done them, rather than changing our routine after retirement.

They made sense to me, so I am passing them on to you.

6. Going to the well too early – Withdrawing too much money early on in retirement and running out of resources later on in life is a common mistake made by seniors. Why do they usually run out of cash? Surveys show that the typical American is not knowledgeable about health care costs, life expectancy, income needs and investment risk.

5. No Plan – Retirees often lack a financial plan that includes estate planning, budget, and other things for both the short and long term to avoid problems and capitalize on all financial opportunities. According to the National Association of Unclaimed Property Administrators, state treasurers currently hold $32.9 billion in unclaimed bank accounts and other assets. According to the U.S. Department of Labor, $850M in 401(k) assets go unclaimed each year.

4. Underestimating inflation – If a nest egg is not earning enough to stay ahead of inflation and taxes, a retiree's retirement lifestyle is likely to get scrambled well ahead of its time. It's important to establish the appropriate blend of risk and return necessary to maintain short-term purchasing power in working toward long-term goals.

3. Operating on Autopilot – Unfortunately, many retirees fail to adjust the asset allocation of investment vehicles in their portfolio with time – in other words, "stage of retirement" relative to life expectancy – and have an inappropriate mix of investments for one's lifestyle goals, timeframes and risk tolerance.

2. Falling for scams – One out of five Americans over 65 has been a victim of a financial scam, according to the Washington-based non-profit Investor Protection Trust. More than 7.3 million seniors are taken advantage of financially through inappropriate investments, high fees or fraud, at a cost of more than $2.6 billion a year. Four in five cases are not reported, according to the MetLife Mature Market Institute Study from March 2009.

1. Getting advice from the wrong source – Many retirees take financial advice from friends, family and financial product salespeople over that of credentialed professionals. Even the most well-intentioned and insightful advice does not replace that of a retirement finance authority to aide with critical decision-making that will impact the entirety of a retiree's life.

All-in-all, making a real plan with a real financial planner gives the retiree the best chance to be successful over the long-term, human nature notwithstanding.