The PENNY HOARDER

7 MISTAKES TO AVOID NOW IF YOU EVER WANT TO RETIRE (AND WHAT TO DO INSTEAD)

By: Tyler Omoth - December 17, 2018

Picture this: You've finally retired, and now you are sailing in the Gulf of Mexico on your boat with your closest friends and loved ones. The water is blue, the breeze tickles your nose with salt and the cool drink in your hand is perfect.

Or maybe your retirement dream is built around a cabin in the mountains, travel to exotic places or just a whole lot of golf. But what if you lose your focus?

We spoke with Mike Windle, a retirement planning specialist at C. Curtis Financial in Plymouth, Michigan, about some common bad moves people make to derail their retirement savings plans.

And, because we don't want to see you still punching the time clock in your 70s, we've added some solutions to help keep your retirement savings growing in a way that will support you after you've called it quits.

Bad Move No. 1: Having Too Much Debt

It's hard, if not impossible, to make great strides toward your retirement if you're paying a small fortune in interest on old debt.

Have you ever considered consolidating that debt? It could substantially lower payments you're already making and help you save more money each month.

A lot of us are being crushed by credit card interest rates north of 20%. If you're in that boat, consolidation and refinancing might be worth a look.

A good resource is Fiona, a search engine for financial services, which can help match you with the right personal loan to meet your needs.

Fiona searches the top online lenders to match you with a personalized loan offer in less than 60 seconds. Its platform can help you borrow up to $100,000 (no collateral needed) with fixed rates starting at 4.99% and terms from 24 to 84 months.

When you're not shelling out so much money for high interest debt, you have a little more that you can put toward the future.

Bad Move No. 2: Not Starting While You're Young

According to Windle, this is the No. 1 issue when it comes to bungling retirement plans. It's best to start young, and it can be very difficult to make up the difference if you start later on.

"For every year sooner that you start, on average, you're able to cut potentially two to three years off of how long you have to work," he says.

However, when you're young, it seems like you never have enough money left over after you pay bills. If you're like most of us and wish your money would just take care of itself, consider starting an investment account through Acorns.

You can start small and stack up change over time with its "round-up" feature. That means if you spend $10.23 at the grocery store, 77 cents gets dropped into your Acorns account.

Then, the app does the whole investing thing for you. It doesn't offer all the benefits of a retirement account, but if you need a little help, it can at least get you started.

The app is $1 a month for balances under $1 million, and you'll get a $5 bonus when you sign up.

When it comes to long-term investing, starting young is rule No. 1. Even if all you can do is a little, it can make a big difference down the road.

Bad Move No. 3: Ignoring High Fees on Your Retirement Accounts

If you're saving for retirement with a 401(k), awesome.

But when's the last time you truly checked in on your account, adjusted your allocations, addressed any fees and all that other fun stuff?

Try using a robo-adviser to make sure your 401(k) is on track with your retirement goals. Blooom is an SEC-registered investment advisory firm that'll optimize and monitor your 401(k) for you.

Your initial account checkup is free, and you can do it online in less than five minutes. This will help you get to know your account a little more intimately. Find out if you're paying too many investment fees or if you have the appropriate amount of money invested in stocks versus bonds.

If you're satisfied with the outcome of your initial check up, great! If not, you can enroll in Blooom for $10 a month (Penny Hoarders get one month free with the code PNNYHRD). It'll automatically adjust your 401(k) to best fit your needs all the way up to retirement.

Bad Move No. 4: Stashing Money in a Low-Interest Savings Account

OK, maybe you don't want to risk everything on investments. That's OK, but if you want a simple savings account for some of your retirement savings, at least make sure you're earning better-than-average interest on that money.

An iOS app called Varo Money combines traditional banking tools with modern technology to help its customers become financially healthy.

Here's the best part: Pair your Bank Account with a Varo Savings Account where you'll earn 1.75% Annual Percentage Yield. That's nearly 30 times — repeat, 30 times — the average savings account, based on a 0.06% average reported by CNN Money.

Varo goes easy on the fees, too. As long as you use one of its 55,000 ATMs across the world, you'll never pay fees.

Additionally, you'll pay no monthly service fees, no minimum balance fees, no foreign transaction fees and no cash replacement fees. You'll just pay any fees charged by out-of-network ATMs and cash deposit fees if you deposit cash in-store through Green Dot.

Bad Move No. 5: Taking Money out of Your 401(k) Early

Just when your retirement savings are doing well,

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your car breaks down. Or you have medical bills that pile up. When things get tough and you need money, that stash you have sitting in your 401(k) can start to look pretty tempting.

There are better ways to fight through a tight spot than to sacrifice your future. Try getting a low-interest loan instead.

"Any low interest is better than draining money out of your 401(k)," says Windle. "If you take it out, you get a 10% penalty, most likely. For the vast majority of America, most of their retirement is in a 401(k), so if you start to deplete that and pull out $10,000, $20,000, $30,000, you could be taking two to three years [of savings] off and adding four to six years on the back end."

If you need a personal loan quickly, look into the online lending platform Upstart, which can help you find a loan without relying on only your conventional credit score.

Unlike traditional underwriting models that use only the common FICO scoring model, Upstart's technology looks at factors like your education and employment history to determine your creditworthiness.

It can help you borrow up to $50,000, potentially with better terms (e.g. lower interest or lower monthly payments) than traditional lenders. If managing many different bills and credit lines is a hassle, you can also use an Upstart loan to streamline all of your loans into one.

Windle says there's another option, as well. "A lot of times, 401(k)s will offer loans. Technically your money is still in there, so it's still growing, but you end up paying yourself back."

Bad Move No. 6: Not Contributing the Right Amount to Your 401(k)

If you think you're on top of your game because you're tucking away 2% of every paycheck and you're still young, think again.

If your employer offers a 401(k) program, there's also a good chance it offers a match. Typically you'll see companies match your 401(k) contributions up to about 3 or 4 % — some are even higher. That doubles the money you're saving. Then, when interest kicks in, you really get a boost.

So how much of your paycheck should go to your 401(k)? You might be surprised at the answer.

"The best strategy, this was against the grain, but really you only want to put in the match," says Windle. "By putting more into your 401(k), all you are doing is creating taxable income down the road."

If that's the case, how do you save more than just what your employer matches?

"If your work offers a Roth option, that's where you want to put the most you can," he says. "Anything above the match, you definitely want to go into Roth."

A Roth IRA or 401(k) account is an account that uses after-tax money. That means you'll pay taxes now, but it'll earn interest tax-free, and you won't pay taxes when you withdraw it.

Then reconsider your contributions when you get a bump in pay.

"As you get raises, take a portion of that raise, and put it toward your retirement," says Windle. "Typically what I recommend is at a minimum, take 10 to 20% of that raise and add to whatever you're doing for retirement savings."

It won't be long before you'll love checking in on your retirement accounts and seeing how much they have grown.

Bad Move No. 7: Not Budgeting

Budgeting is like going to the dentist. No one really wants to do it, but if you do, it makes life much, much better.

You don't have to go right for a root canal. Ease into it. To simplify the process, try using the 50/20/30 budget plan: 50% of your money goes toward essential living expenses; 20% goes toward hitting your financial goals (can you say retirement savings?); and 30% is designated for personal spending.

You'll want to map out your current spending. Rather than combing through your monthly statements and inputting numbers into an Excel sheet, use the automated spend tracker in the Empower app, which helps you organize and track your financial goals.

Simply link your various accounts, and you can review your spending and make adjustments as needed to stay on the right track.

"Write down a budget that shows what you're spending your money on," says Windle. "It opens people's eyes to where their money goes. Circle four to five things you can do without, and see how much you have."

Don't Panic, but Don't Procrastinate

Saving for retirement shouldn't be a tremendous burden on your life now. That being said, you can't wait until that magical day when you have plenty of expendable income to shuffle toward retirement savings, either.

Why? Because that day never really comes for most of us.

"It's human nature," says Windle. "As you have more disposable income, you'll get more bills and spend more money. It's always good to take what excess you have and start saving."

Set a plan, get started as early as you can and then follow these basic tips to keep from derailing your retirement. You want to make those golden years really shine.

Mike Windle, RICP®, is a retirement planning specialist for C. Curtis Financial Group. His focus is on ensuring his clients have all the critical facts necessary to make a sound financial decision. Mike holds multiple securities and insurance licenses that allow him to provide the best solutions for his clients.

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