7 Things to Remember When You Feel Like You'll Never Be Able to Retire

Written by Nancy L. Anderson, Forbes.com, 10/31/2020

Are you concerned you'll never be able to retire?

You have saved in your 401(k) or company retirement plan and picked up a company matching contribution. As you are getting closer to the end of your career, you wonder, "Will it be enough?"

Every individual's goals and finances are different; some people may have invested more than others. The cost of living varies depending on where you live. For example, it's generally cheaper to live in Utah or Texas than California or New York. A common theme for many of us who work is that there are fewer and fewer fixed company pensions so we are in charge of our retirement income plans.

Here are seven financial moves to increase your retirement confidence:

1. Transition to retirement

Picking a retirement date doesn't have to be all or nothing; it's not like jumping off a cliff. Leaving your job can be a finite decision and instigate an abrupt lifestyle change. Instead of retiring, consider an alternative work schedule where you can work less as you transition to retirement. Negotiate fewer hours or part-time work or, alternatively, come back and work as a contractor with your existing company.

2. Move to your dream retirement spot before you retire

Work-from-home technology has advanced to allow greater collaboration between teams, as well as customers, now used to meeting virtually. You may be able to move to your dream retirement destination sooner instead of waiting until you retire. An early move may invigorate your lifestyle so you don't feel the pull to retire as early.

In my case, I moved to Park City, Utah in 2012 and worked remotely. A few years after that I was recruited to work in Utah, which was ideal. Though I work full time, I am able to try new things such as learning to ski and enjoying the great outdoors that Utah has to offer. Moving early to your dream retirement location may inspire you to work a few more years to contribute to your company, team and clients while boosting your retirement savings.

3. Work a few more years to improve outcomes

Continuing your career a few more years past your ideal retirement date can make a significant difference in retirement income planning. Consider this: if you work three more years, you'll be able to contribute three additional years to your 401(k). If you contribute $20K and you are over age 50, you'd contribute over $60,000 in three years.

Let’s do the math:

If your company provides matching contributions of, for example, 50% of your contributions up to 6% of salary, that could be $3000 per year or another $9000. There may be profit sharing contributions on top of that. Working three more years would help you grow your balance by close to $70,000.

Just as importantly, you would be living off of your salary instead of assets, so you would not have to withdraw funds for lifestyle expenses. If your planned withdrawal was $50,000 a year for three years, you'd be able to let those funds continue to grow instead.

- Additional savings = $70,000
- Delayed withdrawals = $150,000
- Three-year delay saves you = $220,000

Of course, you don't want to delay retirement forever. Note, however, that every year you are able to continue to invest and you are not taking withdrawals, your retirement income plan is stronger.

4. Map out a plan with a CERTIFIED FINANCIAL PLANNER™ Professional

Engage a retirement planning specialist to assist you in determining if you are on track to retire and to help map out a retirement income plan. According to the Financial Planning Association, a CFP® professional can help you:

- Set realistic financial and personal goals.
- Assess your current financial health by examining your assets, liabilities, income, insurance, taxes, investments and estate plan.
- Develop a realistic, comprehensive plan to meet your financial goals by identifying financial opportunities and building on financial strengths.

Working with your financial planner, consider the challenges or "what if's" that could affect your retirement income such as: interest rates rising, inflation increasing, and tax rates going up. Develop a plan to handle these issues. Remember, you don’t have to do this alone.

5. Invest more now

Many retirees must live on a reduced income. Why not start living on less pre-retirement and invest the difference? Two benefits that come to mind immediately are: you can invest more so you'll have higher future income and get a handle on your spending.

One of the biggest drags on your retirement security is your spending rate. Obviously if you spend less, your IRA investment will last longer. If you are able to flex your cash- flow muscles now and learn to manage your spending, you'll be able to cut back spending in the future as needed.

6. You don't have to pay off your house before you retire

It would be nice to own your home free and clear and have no mortgage payment when you retire. However, in today's low- interest -rate environment, it may not make sense to pay off your house. The key to budgeting in retirement is to keep your overhead low. If you have a fixed- rate mortgage, you may opt to keep making that payment since it is a known quantity.

If you have investments or cash in the bank, you can always pay off your home at a later time. If you've always dreamed of paying off your home, consider putting a few years of house payments into a bank account and set up an automatic payment from that account. In your head, your house payment is "taken care of" while at the same time, you haven't deployed a large chunk of your assets to do so. This can be an effective psychological trick.

7. Automate your contributions

Reduce the number of decisions you need to make to boost your retirement savings. Set up your contribution to automatically increase by 1% per year using a contribution escalator. If you can't max out your 401(k) and invest the full $26K per year (for those 50 and over) or $19.5K for the rest of us, do what you can. Increase it by 1% now and every year after that.

Set up automatic contributions to your other investments, too. Have your Roth IRA contribution automatically come out of your checking account. Set up a withdrawal from your checking account to fund your investment, such as a mutual fund, or to go to your brokerage account. Set it and forget it!

Remember we don't know what the future will hold. All we can do is our best to prepare for retirement. Take concrete steps now to prepare for a fun and exciting retirement tomorrow.