It takes time to plan for retirement

By Philip Rousseaux

The economy may be recovering, but some of the changes wrought by the Great Recession may be long-lasting. Anyone planning for retirement, no matter what their age, needs to take those changes into account.

People in their 40s and younger have some time to retool their plan, but Baby Boomers need to think with more urgency.

A lot of boomers had all of their retirement investments in the stock market and, if they didn’t lose their principal, it will take some time for them to recoup their gains. Others moved their money to short-term savings, like CDs. But with interest rates so low, they’re actually losing money when you factor in inflation.

Those are the two most common mistakes people make in retirement planning – having everything in either stocks or short-term savings is a bad idea.

Space your investments so they’ll come due as they’re needed. Plan some that can be available in the short term, for emergencies, and others that will be available as you age.

Only 14 percent of Americans are very confident they’ll have the money to live comfortably in retirement, according to a 2012 survey by the Employee Benefit Research Institute.

Here are suggestions for ensuring you’re part of that 14 percent:

• Don’t take risks you can’t afford. This is another common mistake. Don’t put the bulk of your assets into anything that makes your principal vulnerable. Gambling that you’re going to win big on the market, or any other investment, means you also risk losing big. A portion of your investment should have a guaranteed return.

• Seek any guidance from independent financial advisors. This has two benefits: Advisors who aren’t marketing their own products have no conflicts of interest. You wouldn’t go to a commissioned salesman for advice on buying a high-tech product. Instead, you’d probably turn to a trusted friend or an independent expert source, like Consumer Reports. Take the same care with something as important as your retirement. The second benefit is that independent advisors can devise creative, innovative solutions to meet the needs of individual clients. Those working for companies like MetLife are not free to think outside the box. And that’s especially important In this new, post-recession economy.

• Consider alternatives to the stock market. One of the effects of the recession is that the public realizes Wall Street is not a safe retirement plan. Even if it can get you there, it’s not necessarily going to keep you there. There are a number of great, safer alternatives. One of those is fixed, indexed annuities. You loan an insurance company money and it guarantees you payments over a specified length of time. It’s a contract between you and the company. Fixed-rate indexed annuities have a minimum and maximum interest payment that’s linked to a common index, such as the Dow. When the Dow goes up or down, so does the interest rate, but it never go below the guaranteed minimum or above the guaranteed maximum. Your principal is safe and you can ride an up market without the risk.

With pension plans a luxury of the past and Social Security not a guarantee for the future, whatever your age, it’s important to start planning now for retirement by creating your own private pension.

The good news is, our life expectancy grows every year. It’s up to you to ensure that you have a great quality of life when you decide you no longer want to work.

Philip Rousseaux is the founder and president of Everest Wealth Management and Everest Investment Advisors money management firm.