Counting Down a Decade to Retirement? Seven Moves to Make Now

Give yourself a pat on the back. You thought the day would never come, but here you are – just a decade away from retirement. Sure, you've been saving and planning all along, but there are a number of steps you can take today to help you transition easily and stress-free to the next stage of your life.

#1. Visualize retirement. Experts say it is better to "retire to" than to "retire from." So, prior to checking out from your 9 to 5, spend some time thinking about what you want to do in retirement. Of course there are a few great dream vacations you want to take, but what will your everyday life look like? Is there a hobby you want to pursue? Will you volunteer in your community? Will you work part-time? Some pre-retirees take a vacation week and stay at home and live as if they were retired in order to get a real sense of the rhythm of retirement. Keep in mind that you and your spouse may have conflicting timetables or different definitions of the ideal retirement, so make some time to discuss your dreams and resolve any differences that may arise.

#2. Take field trips. If you're considering a major move in retirement, plan on a little travel to check out potential new homes. Remember, it's a lot different to live in a location than it is to vacation there. So, if you're visiting a sun and fun destination, you need to think about more than great restaurants and golf courses. Your checklist for evaluating a new community should include everything from a suitable year-round climate, cost of living, and quality medical facilities to access to cultural and sporting events, outdoor recreation, continuing education programs, and retail services. Most importantly, don't underestimate the importance of keeping your family and friends within reach.

#3. Save more. Although you may have always been a disciplined saver, your peak earning years afford you a valuable opportunity to boost your retirement contributions significantly. Especially if your children are out of college and living on their own, or if you're lucky enough to have paid off your mortgage, you may have surplus cash that you could invest. Remember, if you're over 50 years of age, there's a federal catch-up provision that enables you to contribute an extra $5,000 this year into your employer's retirement savings plan. Ask about that at work.

Anything extra you sock away in these last few years of your working life could have a positive impact on how you will live for the rest of your life. Accordingly, if you think you may launch a part-time business in retirement, try to get it off the ground while you are still working. That way, you may be able to sock away any earnings into one of the many tax-deferred plans for the self-employed where those savings, too, will have more time to compound tax-deferred.

#4. Double-check your retirement funding calculations. The traditional rule of thumb has been that you need 70 to 80% of your pre-retirement income to live on during retirement. However, recent studies suggest that people tend to underestimate retirement expenses. Healthcare costs continue to rise dramatically and what's more, all that leisure time leads to more spending and people are living increasingly longer lives. It's possible you'll spend just as much time retired as you did working! With all that as a backdrop, it's now considered safer to use 100% of your current expenses to figure retirement funding. That way, your nest egg can weather any major curve balls retirement throws your way, such as unexpected medical expenses, changes in the tax law, a period of high inflation, or consecutive years of a down market.

#5. Spend mindfully. With your income at a maximum and many of your major expenses such as college tuition and mortgages waning or gone, you may find yourself with a budget surplus. While it's okay to splurge on occasion, just make sure those one-time special treats don't become part of your regular routine. Keep in mind that getting too comfortable with a higher pre-retirement lifestyle could pave the road for a tough transition to retirement. On the flip side, if you know you'll need to scale down your present lifestyle in retirement, now's a good time to begin the cost-cutting process. Weaning yourself off of those fancy coffee shop lattes or expensive dinners out will be less painful the sooner you start. Also, evaluate your debt. While monthly credit card bills are a noticeable drain during your working years, debt is a real danger come retirement.

#6. Control Risk. At your age, the negative impact of an investment mistake is magnified because you have less time to recover. That's why diversification and careful portfolio monitoring become even more important as retirement approaches. In addition to reviewing your total asset allocation picture on an annual basis with an eye toward minimizing risk, you might consider diversifying into real estate or commodities that tend to perform differently than stocks or bonds, or in an asset that could afford your portfolio some protection in a period of inflation. Note, too, that a potentially problematic risk many pre-retirees share is a portfolio that is overexposed to company stock.

#7. Talk to your advisor. There's no substitute for personalized, professional financial advice tailored to your specific situation and concerns. Not only can an advisor steer you clear of investment blunders that are difficult to recover from just a decade away from retirement and help to control overall risk, he or she can lay the foundation for a comprehensive retirement distribution plan that both identifies which sources of retirement income would be best to tap first and factors in the tax consequences of your withdrawals. That way, you'll keep more of the money you worked so hard to save for retirement.

For more information contact Tuve Investments at 1-800-373-8883 or visit www.tuveinvestments.com.