

11 Financial Mistakes People Over 50 Make

And How You Can Avoid Them



BY WILLIAM DAVIES

Welcome

If you're over 50 and not sure you're on the right track to retirement, this book is for you. I've been where you are, and it's not a good position to be in. You see, I'm under the belief that every single hard-working American deserves to have a nice, relaxing retirement.

Most folks want to be sitting on a dock somewhere with a fishing pole and not a care in the world by the time they reach age 65. Sadly, many of these well-meaning individuals fall short of their goals. I think this is a travesty, so I'm here to tell you what a good retirement looks like from the other side of the hill. I'm also here to help you avoid making some of the financial mistakes I made when I was 50 and older.

You can bet your bottom dollar that every person on planet earth will make at least one financial mistake during their lifetimes. It's usually fairly easy to recover from such mistakes when you're young and have decades to prepare for retirement. However, money mistakes have much more serious consequences when they occur after age 50. That's why it's so important to wise up and make sure you're making the right decisions with your money.

So, without further ado, let's dive right into 11 common financial mistakes people over age 50 make. More importantly, let's talk about how you can avoid these mistakes and enjoy a beautiful, stress-free retirement.

To your financial success,

Bill Davies



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1. Thinking It's Too Late to Save for Retirement

Most Americans have a goal to retire by the age of 65, but many are unable to meet that goal. The reasons for this aren't all straightforward, but in many cases it's because they failed to plan for retirement in their younger years. Then, by the time they reach age 50, they throw up their hands and think they're just too late to save up for the retirement of their dreams.

If you're in this boat, listen to me carefully. It's never too late to save for retirement. Yes, I really mean that. Even if you're 64 years old, you can still save for your retirement. Sure, you'll have to be more disciplined about where you're putting your money, but it's always possible to set money aside for the day you retire.

Now that you're in your 50's, it's retirement crunch time. So, you need to take a multi-pronged approach to getting your finances in order. Here are a few steps I recommend for getting closer to your end goal.

1. Get rid of your debt as soon as possible.
2. Set realistic savings goals.
3. Create a health savings account.
4. Find out how much money you can potentially save by refinancing your mortgage.
5. Generate income outside of your investments (such as one or more side hustles).

These steps can all help you get on the fast track to retirement success. Above all, don't ever feel like you're doomed to have a bad retirement because you're just getting serious about it now. You'll need to put a little more elbow grease into it, but you can still enjoy a great retirement.



2. Drawing Social Security Too Soon

If you're anything like I was at age 50, you're probably counting down the days until you can start drawing social security. It's exciting to think about finally getting money back that you've been paying into the system for years. But before you jump the gun, take a minute to consider whether it's wise to draw it as soon as you turn 62 or if you should wait.

Here's why you may want to consider waiting a little while to begin drawing social security. The earlier you begin drinking from that fountain, the smaller the trickle you'll receive. The longer you wait to begin taking out social security, the more money you'll ultimately receive. This is because your social security benefit amount accrues over time.

So, for example, if you choose to retire early at 62 and begin drawing social security at that time, you will make as much as 30% less than you would if you waited until age 70 to draw social security. That's a big difference in the payout you could receive! Also, once you start social security benefits, the amount you receive is locked in. It will never increase. Many folks over 50 don't know that there is a potential monetary advantage to waiting just a few years before claiming social security benefits.

Finally, if you delay your retirement until age 70, you may qualify for delayed retirement credits. These credits result in larger social security benefits. Of course, not everyone can afford to wait until 70 to retire, but you should at least consider waiting until retirement age to claim social security benefits instead of claiming them at age 62. Trust me, the wait is worth it in the end.



3. Taking Out Student Loans for Kids or Grandkids

It's good to be a loving, doting parent and grandparent when it doesn't put your own financial future at risk. Trust me, I know how to spoil my grandkids rotten, but I've learned that I need to be fiscally responsible while doing so.

One thing I implore you never to do is to take out student loans for your kids or grandkids. Young folks have their entire lives ahead of them to pay off their student loans, but you have very little time to pay for your retirement. Chances are, no one will step forward and pay for your retirement if you spend all your savings on your kids' and grandkids' educations.

There is a startling statistic released by the Consumer Financial Protection Bureau about well-meaning seniors paying for their kids' student loans. The fastest-growing segment in the student loan market is not young kids. It's people aged 60 and older. That statistic is disturbing because it means older folks are putting their retirements at risk by taking out student loans.

Listen, I know you want to be there for your kids and grandkids. But jeopardizing your own financial future isn't doing them any favors. They are the ones who will have to support you financially if you don't put enough money away to support yourself throughout your retirement years.

So just say no to taking out student loans for your kids. Instead, you may want to put some money aside for them in education savings accounts.



4. Using Your Retirement Savings as a Piggy Bank

I want you to repeat this phrase out loud as you read it: “My retirement account is not a piggy bank.” It is not synonymous with your rainy-day fund and shouldn’t be used to fund vacations or anything else. Once you put money in retirement, it should stay there until you’re ready to retire. No “ifs,” “ands,” or “buts” about it.

Taking your retirement out early is like going to the bank, withdrawing all your cash, and throwing more than 10% of it in the trash as you walk out. It makes no sense. If you take funds from your retirement account before age 59 ½, you will be penalized 10%. You’ll also pay income tax on your distribution.



To put this in perspective, if you fall into the 22% tax bracket, withdrawing \$10,000 from retirement before you’re 59 ½ will result in you losing \$3,200 of that amount in the form of penalties and taxes. That’s a lot of hard-earned money to throw away because you’re impatient to access your retirement savings.

If you need money right away, there are better ways to get it. There are many different types of loan products out there that you can tap into if you qualify. For advice on what type of loan to use for your current situation, consult with a skilled financial advisor. Make sure the advisor you choose to work with has a trustworthy reputation. There are a lot of scammers who love to take advantage of seniors seeking financial advice.



5. Canceling Life Insurance

When I was in my early 50s, I seriously considered canceling my life insurance policy. I had been told by various individuals that I should rely on my retirement savings instead of my life insurance. In hindsight, I'm glad I didn't listen to them. My life insurance policy offers an extra buffer of financial protection for my wife if I die before she dies. Her policy offers me the same protection.



Just because your kids are grown and out of the house doesn't mean you can ditch your life insurance policy. As long as you have a spouse or anyone else who depends on you, maintaining your policy is the most responsible choice.

If you're wondering whether you should purchase a whole life or term life policy, that's where things get a little muddy. There are advantages and disadvantages to each type. Personally, I like the cash that accumulates over time with whole life policies. But I also recognize that they're prohibitively expensive for many people.

Term policies don't accrue cash value over time. That means you don't get a cash benefit out of it at any point. However, term policies are more affordable than whole life policies, which is why many people choose them. Most companies won't offer term life policies to people over age 65. But if you're looking for an affordable life insurance policy to tide you over until then, a term policy may be your best bet.

6. Keeping Financial Information in Multiple Places

After I turned age 50, my brain seemed to get a little more muddled. Now, I misplace things all the time, such as my glasses, keys and wallet. I also tend to forget passwords to various account on a regular basis. I try to laugh these things off, but I've also learned that I can no longer keep my financial information in multiple places.

I used to have several investment and savings accounts that I would monitor and keep track of on the regular. But I was starting to lose track of my own money because I would completely forget about some of my accounts. So I decided it was time to consolidate my financial information as much as possible. Instead of maintaining savings and checking accounts at two banks, my wife and I decided to combine our accounts with one bank. We also use just one investment firm to handle all our investment accounts.



Since we made that change, we have been much less frazzled about the state of our finances. We don't have to maintain dozens of passwords across multiple sites, and we don't have to keep track of multiple bank accounts. We also feel better knowing that our children will have an easier time locating, withdrawing money from, and closing out our accounts when we kick the bucket.

If you're currently juggling too many checking, savings and investment accounts, do yourself a favor and simplify. Consolidate your accounts whenever possible, and make sure your kids know how to access your financial information when you pass on to the other side.



7. Spending Assets Too Soon

Now that my wife and I are well into our retirement years, we know how quickly financial assets can disappear. If you don't have a specific place for your money to go, it will probably go anywhere and everywhere. Retirement income isn't meant to be used willy-nilly, unless you want to run out of it before they put you in the ground.

So take this advice from someone who knows: you need to create a household budget for your retirement income as soon as possible. This is a step you should take before you retire, because it will help you determine if you're putting enough money away now or if you need more for your daily living expenses.



Here's a step-by-step guide for creating a retirement budget that will allow you to comfortably live within your means when you no longer have a professional income coming in.

1. Make a list of all your fixed monthly expenses (things like prescriptions, house payments, insurance payments, etc.)
2. Write down your monthly variable payments (including grocery bills, pet food, electricity bills, gasoline, and entertainment).
3. Don't forget to list non-recurring expenses (such as new car payments, vacations, etc.)
4. Estimate your retirement income (including your retirement savings, social security benefits, pensions, and dividends from investment accounts).
5. Subtract your total expenses from your total estimated income.

Your total estimated retirement income should exceed your total expenses. If it doesn't, it's time to increase your retirement contributions or figure out where you can cut back on your budget.



8. Investing Too Little Money for Your Needs

The above exercise may have been a little surprising or perhaps alarming. It costs a lot more to support yourself through retirement than you may have realized. The first time I sat down and figured out my retirement budget, I realized I was investing too little money for my needs and wants. The last thing I want to do is spend my retirement pinching pennies and foregoing vacations due to lack of money.

So, I figured out how much more money I would need each month to live comfortably. We don't live high on the hog, but we have enough spare cash to do what we want. This brings me to another common financial mistake people over 50 make: investing too little money for their needs.

I have a scary little statistic to share with you. Nearly a quarter of Americans have less than \$5,000 in their retirement accounts. In this day and age, that amount might be enough to get them through two months of retirement.

Most financial experts recommend that you put away at least \$1,000,000 for retirement. If you don't have any retirement savings yet, you can still meet that goal. But you will need to start socking away approximately \$2,830 per month to get there by age 67. If you already have some money in retirement savings, you can adjust your monthly contributions accordingly.

To figure out exactly how much you need to contribute to retirement each month in order to reach \$1,000,000 or more by retirement, talk to your financial advisor. He or she will help you figure out how much money you should devote to retirement savings in order to cover your monthly expenses and help you enjoy life in your retirement years.



9. Investing in Children Instead of Yourself

If you have great kids like mine, you naturally want to do things for them. It's hard to watch them flounder through life and search for their own pathway to success. But remember, the process of struggling and earning your way through life is exactly what got you to the point you're at now. Everyone needs to go through it. While there's nothing wrong with supporting your kids and grandkids with your love and time, you need to be careful when it comes to your money. Even a sizeable nest egg can be depleted very quickly when you have multiple children laying claim to pieces of it.



A generous heart is a great thing to have, but if you aren't careful, you could end up with nothing but an empty bank account and a bleak future. Now that you're 50 or older, it's time to put yourself first. Investing in your future isn't selfish. It's wise.

If you can't escape the drive to help your children, just make sure you continue living within your own means. One way you can help your kids when they come across tough times is by giving them a place to live, but not for free. If an adult child comes home to live with you, don't let him or her fall into the trap of total dependency. Instead, consider charging reasonable rent. Or, you can choose another expense for your child to take care of, such as groceries, utilities, or car payments.

Asking your child to help pay for expenses in exchange for cheap or free room and board isn't unreasonable. It's a generous way to temporarily help your child get back on his or her feet without jeopardizing your financial future.



10. Failing to Plan for Long-Term Care Costs

65 is the new 40, folks. People are living longer now than they did a few generations ago. In fact, back when my grandparents were still around, people were lucky to celebrate their 65th birthday. Retirement wasn't even on their radar. But nowadays, people are living longer. That means you need to set aside enough money to support your lifestyle and your health throughout your retirement years.

Along with longer life expectancies come more health care costs. Because modern medicine is so good at keeping us kicking longer than our ancestors did, we're susceptible to more ailments and diseases associated with old age. These ailments and diseases require medications, treatments and sometimes hospital stays. All of these things cost a lot of money and can quickly deplete your savings.

In addition to medical care, you'll probably require long-term custodial care at some point. This type of care may occur in a memory care facility, assisted living facility, or in your own home. Now, before you think "that will never happen to me," keep in mind that it's estimated that more than half of adults in the United States aged 65 and over require some type of long-term care.



Since long-term care isn't technically medical care, it's not covered by most health care policies. Even Medicare and Medicaid do not cover custodial care. That means you'll need to account for this type of care when planning your retirement budget. You may also want to speak to an insurance agent about policies that cover aspects of long-term care. Some life insurance policies offer rider options that include long-term-care coverage. It's worth looking into such coverage in case you need it later on in your retirement.

11. Trusting Strangers with Your Financial Info

I'm a pretty friendly guy, but when it comes to my financial information, I'm locked down like a vault. I know that criminals like to target older individuals because we tend to be more trusting and naïve about modern criminal tactics. Every single year, over \$30,000,000,000 is stolen from seniors. Sadly, seniors often willingly give away their financial information to people who then use that information to commit fraud. That's why it's so important for you to guard your financial information without apology, especially after you turn age 50.

These days, your money can easily be stolen from you by sly individuals who may seem innocent or even helpful. That's why you should never trust a stranger with your financial information. Even if a stranger seems like a kind and genuine person, you need to err on the side of caution. Only you, your financial advisor and whoever is executor of your will should know about your financial information or have access to your financial records.

One of the most common tricks to watch out for is scammers who call seniors and try to convince them that they owe money to the government, an insurance company or any other entity. Don't fall victim to such tricks. If you don't recognize a phone number, it's best not to answer it. If someone tells you that you owe money to a government entity or company, always check with your financial advisor or lawyer before paying a cent.



Create Your Dream Retirement Now

There's nothing mysterious or mystical about preparing for retirement. Anyone can do it at any time. But some of the above financial mistakes could potentially stall your progress. If you make any of these mistakes after age 50, it will almost certainly make it more difficult for you to save a sufficient amount to support your ideal retirement lifestyle.

There's no room for excuses when it comes to your financial future. You've been working for that dream retirement all your life, and it's only a few years away. Don't mess up your opportunity to retire when and how you want to by making any of these common financial mistakes. Instead, learn from someone who's been there and take the fast track toward reaching your retirement dreams.

