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Boomers' Biggest Retirement Regrets

What older baby boomers wish they had done differently in retirement planning

"I find people five years into retirement with no plan whatsoever," says Pete Lang of Lang Capital.

The last of the baby boomer generation will be turning 50 this year, and it's time for them to get a fix on how they are going to prepare for retirement.

Fortunately, there are valuable lessons, financial and otherwise, to be learned from those who have already reached their later years.

On the financial front, there is of course room for many regrets. "Generally, the failure to have a plan is number one," Pete Lang, president of Lang Capital in Hilton Head and Charlotte, N.C., told ThinkAdvisor sister site BenefitsPro.

"I find people five years into retirement with no plan whatsoever."

Lang said that includes a tax plan, an income plan and an investment plan. Otherwise, he cautioned, "All your money is slipping through your fingers."

Crunching the numbers—and assessing the wild cards—of the retirement savings problem.

He left out an estate plan, Lang said, because while it may be needed for a financial blueprint it is not needed to retire, as are the other three.

On taxes, according to Lang, the biggest regret is the failure to use a tax-forward plan, such as deferring Social Security. "If you don't take it at 65 or 66, you can defer it and that will minimize taxes."
Other tax regrets include withdrawing money from tax-deferred IRAs too early, and not spreading Roth IRA conversions over a period of time.

As for income, Lang goes back to Social Security deferrals. "Everybody thinks the government will go out of business. That's not the case. The checks will always continue," he said.

"If the government gets into trouble with inflation, that's another issue. But the checks will be there, and deferral is a great way to guarantee enhanced income stream."

Finally, turning to investment, Lang said the big regret is the failure to hedge against inflation. "The inflation rate over the last 15 years has averaged 2.5 percent. And when you look at portfolios, they are also taxable. You have to use a tax co-efficient. I use 3.4 percent. So, if you're not growing at that rate you are not hedging money against inflation. If that's the case, you're losing buying power," he explained.

Given the risk inherent in equities and the current low yields on Treasuries, Lang said, "Use the standard rule to diversify a portfolio to create an income stream from safer allocations short term and in the long term from a more aggressive plan."

Clarence Kehoe, executive partner in accounting firm Anchin, Block & Anchin, told BenefitsPro he sees regrets over some very basic mistakes made during the peak earning years.

"From my experience, a lot of people when they get to retirement age look back and say 'why didn't I' or 'I wish I had,'" he said.

The two biggest killers are a lack of savings and a lack of understanding of how much will be needed in retirement, according to Kehoe.

"If you look at it realistically, many see a rise in income as they mature in their career, and when they see salaries go up, instead of saying now I have a chance to save, they are spending it. A lot of people don't pay attention, and don't say I have excess cash and I should save it," he said.

Going hand in hand with this is the problem of excessive borrowing. "Consumer debt has gone but the affluent person who wants a bigger house will have taken a mortgage or taken a second mortgage to take a vacation. Excess leveraging can squash the ability to save for retirement," Kehoe said.

Among other regrets sees is retiring too early. "There are people who have taken themselves out of the work force, some even in their mid- 50s, but they are robbing themselves of extra years of savings."

"A lot of people don't realize life expectancy is longer than they think, which means they need more money," he added.

Finally, Kehoe stresses the need to plan for age-related expenses. "People look at themselves unrealistically. They are not thinking about some of the extremes in older age. But even if you keep yourself in great shape your body wears down," he said.

That means more regular doctor visits, not all of which will be covered by the government or insurance, Kehoe warned.

Not all of the retirement-related regrets pertain strictly to finances, notes Daniel Kraus, an advisor and branch manager with Raymond James & Associates in Boca Raton, Fla.

One of the biggest one he sees among clients is the lack of a plan for what to do with their time. "A recent client commented, 'I'm bored. I don't know what to do with myself,'" Kraus told Benefitspro.

"After working for 50 years, he retired at 73 and said he wasn't prepared for the lack of activity. So there's a psychological impact of going into retirement that is dreadfully overlooked," he said.

Another area that can be overlooked has to do with way of life. "We do experience clients unwilling to change their lifestyle or unable to make that change," he said.

"I've got a client who's 84 and is burning down her money because she won't change her lifestyle. So that's an investment and psychology issue."

Another client can't make the tough decisions she needs to. "In her case, she knows she has to sell her real estate but she can't bring herself to price it at a price where it will sell," he explained.

"Retirement is all about making choices and compromise."

The person who isn't willing to change their lifestyle and runs out of money has regrets, said Kraus, as does the person who retired too early and finds the market is down and the person who pulled all of their money out of the market in 2008 and 2009 and put it in the bank.

His final cautionary tale: Regret is having long-term care expenses and not having planned for it.

Pointing to statistics showing that two-thirds of those over age 65 will incur long-term care costs, Kraus said, "There's nothing certain in life but death, taxes and long-term care."