# 5 Ways You're Sabotaging Your Retirement Plans

Overconfidence, impulsiveness can sink your post-work years

by Patricia Amend, **AARP (http://www.aarp.org)**, October 20, 2021


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When you hit your 50s, you may feel like it's time to make some big decisions. Unfortunately, some of them can be big mistakes, thanks to a so-called midlife crisis (/home-family/friends-family/info-2021/coronavirus-identity-reflection.html). Although very common, a midlife crisis can affect your thinking, and not always for the better.

In a 2007 study, economists David Blanchflower and Andrew Oswald determined that midlife crises are real and commonplace. Using data from 500,000 Americans and Europeans, Blanchflower and Oswald found that, all other things being equal, happiness dipped to its lowest point when people were in their mid- to late 40s. Another study, which they released in January 2020, including data from 132 countries, confirmed this conclusion.

“It's natural to reflect on your 20-plus-year career as you raise kids and do everything else,” says Michael Baughman, a certified financial planner (CFP) at Parsec Financial in Tryon, North Carolina. “I'm 45, and I get the desire to do something different sometimes.” People can lose the fire they once felt for life. “Exploring your options and trying new things is important, as it may lead to a second or third career or to the transition to a successful retirement down the road,” Baughman points out.

It’s important, however, to be clear about why you are dissatisfied. Taking a step back and thinking things through, perhaps with a financial adviser (/money/investing/info-2021/beware-of-financial-advisers-with-deceiving-credentials.html), can help safeguard your future. Otherwise, a bit of hubris, or the doldrums, may lead to serious, irreparable missteps. “The majority of my clients are over 50,” says Rob DeHollander, a CFP at DeHollander Financial Group in Greenville, South Carolina. “I have helped some recover from mistakes; others I have talked down from bad choices. A few have ignored my advice.”

Go ahead and enjoy your prosperity; you’ve worked hard for it. Or look for something new to relight that fire. As you do, be sure to avoid these costly errors that financial planners often see their clients make.

## 1. Dropping your financial plan when the market fools you

Rose Swanger, a CFP at Advise Finance in Knoxville, Tennessee, is concerned about two of her clients who are way off track. After decades of working for a nursing home, the husband quit his job last June, and the wife called to stop their monthly contributions to their Roth IRAs and one brokerage account. When Swanger asked when they would resume their savings, they said “Soon.” They still haven’t. At the same time, the wife said she expected an annual 12 percent investment return with a 10 percent yield from their dividend payout. “Because of last year's COVID, the market had a quick sellout and dramatic recovery," Swanger says. "Anyone who stayed invested would have a return of 30 percent to 60 percent. But this is not the norm.” Unfortunately, she notes, these are the returns they have come to expect, and they are still on the road — and not saving.

## 2. Overspending out of an inflated sense of security

Swanger, who follows these clients on Facebook, also noted that they were traveling and posting pictures. At first, she gave them the benefit of the doubt. “They both worked hard and deserved a vacation, but it lasted for months.” She has been sending them retirement and investment articles to raise their awareness, adjust their expectations and encourage them to start saving again. “Hopefully, they will come back to their senses soon.”

Like Swanger's clients, you may feel that you're in the strongest financial position ever — and get carried away (/money/credit-loans-debt/info-2020/5-signs-your-spending-is-out-of-control.html). "People can lose focus or have an inflated sense of retirement security," says Dan Hill, a CFP at Hill Wealth Strategies in Richmond, Virginia. This mindset can lead to spending on new sports cars, an expensive hobby, extensive home renovations, a rental property or a summer house. Overconfidence may also prompt the urge to empty savings accounts or borrow from 401(k)s to take dream vacations. "While such purchases can make you feel happy and enjoy life in the moment, they could greatly impact your retirement lifestyle," Hill says.

## 3. Making risky moves with your career

Dennis Nolte, a CFP at Seacoast Investment Services in Winter Park, Florida, cautions against trading your long-standing safe job (/work/career-change/info-2017/second-career-quiz-fd.html#quest1) for a risky, enticing start-up, in the hope of cashing in on the stock options. Too often, start-ups sputter. Or instead of working for a start-up, you may decide to open a business with retirement savings or home equity. If you're not careful, though, your savings could go "poof," Nolte says. "My dad did that one. It's an abdication of the discipline and perseverance that put you in a good financial position in the first place." Such moves, Nolte observes, are usually prompted by FOMO — fear of missing out on your dream — or by boredom or greed.

Find an inexpensive hobby instead, suggests Ryan Marshall, a CFP and partner at Ela Financial Group, in Wyckoff, New Jersey. "There are plenty of things you can do for fun."

## 4. Overindulging your offspring

It's a natural impulse to help your kids enjoy the opportunities that you might not have had. But don't overindulge them (/retirement/planning-for-retirement/info-2021/how-to-stop-financial-support-for-adult-children.html)at the expense of your future. Brad Lineberger, a CFP at Seaside Wealth Management in Carlsbad, California, has seen people "absolutely destroy their financial plan over the years" in this way. "They help their kids buy a home or start a business, which is fine and good if you can afford it. Don't do it if you can't."

Catherine Valega, a CFP at Green Bee Advisory in Winchester, Massachusetts, sees parents pay too much for college out of cash flow when they should be maximizing their own savings. Or they take out loans. "You must work together as a family to find the right school at the right price."

And clients also err by taking distributions from their 401(k)s to help pay for a child's college expenses, according to Cynthia Pruemm, founder of SIS Financial Group in Hoffman Estates, Illinois. "Do this before age 59 and a half and you'll be hit with a 10 percent penalty." And remember, kids can take out a loan for college, but you can't get a loan for retirement.

## 5. Acting on unprofessional advice

The bottom line: Run any investment ideas past a qualified financial adviser, who will challenge your thinking if necessary. "Don't listen to your friends' and coworkers' financial advice, Marshall says. "Their situation may be completely different, or they may not know what they are talking about. I have heard about a lot of bad advice from peers."

On top of stopping their IRA contributions and taking extended vacations, Swanger's clients wanted to borrow money to buy an Airbnb to rent. "Many of their unrealistic expectations were fueled by TV ads and self-claimed financial gurus who say that anyone can manage their finances without an adviser on their side," she says. While many people can do so, not everyone can, and it never hurts to ask for impartial advice (/money/investing/info-08-2013/financial-advisors-fees-quiz.html#quest1).

*Patricia Amend has been a lifestyle writer and editor for 30 years. She was a staff writer at* Inc. *magazine; a reporter at the Fidelity Publishing Group; and a senior editor at Published Image, a financial education company that was acquired by Standard & Poor's.*

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- AARP Money Map: Get your finances back on track (https://moneymap.aarp.org/)
- 7 practical tips for building (or rebuilding) your emergency fund (/money/budgeting-saving/info-2021/how-to-start-emergency-fund.html)
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