Five mistakes that can derail your retirement

When we think of a comfortable retirement, each of us has a different idea of what that means. For some, it means eventually being able to travel the world, or being able to support loved ones even after retirement. For others, it just means financial independence. Regardless of our specific goals, though, we all want to be able to live life without becoming a financial burden to our loved ones.

While many of us dream of a comfortable retirement, the reality is that when it comes to saving money among OECD countries, Kiwis come in near the bottom of the list. That's because many of us are making several big mistakes when it comes to managing and building wealth.

1. Not having a clear budget and retirement plan

Most of us aren't budgeting with retirement in mind, and that is a very big mistake. According to the OECD's research, "How's Life? 2020: Measuring Well-Being", 53 per cent of Kiwis would be at risk of sliding into poverty if they had to forgo three months worth of income. For many, this is an issue that can be traced directly back to a lack of proper planning.

Financial independence is something we have to build deliberately. That means setting financial goals for both the short term and long term, and deliberately setting aside money to meet those goals. More importantly, it also means taking control of our spending and lifestyle now. A clear retirement plan and plan to spend for the present tells us what we need to know to make our goals a reality. Often, that means making necessary short and medium-term lifestyle changes that allow us to save more and ultimately make it possible for us to build wealth.

2. Expecting the government to work things out

Many Kiwis expect, or maybe just hope, that government superannuation will be enough to see them through their golden years. This is a poor option to hang your hopes on, considering that many don't expect government superannuation to continue to exist in the long term.

While many Kiwis are additionally paying into KiwiSaver, they often just pay their minimum contribution, hoping that this will somehow be sufficient. While having a KiwiSaver is always better than not, it’s not designed to function as the sole basis for retirement income. The only reliable option for a comfortable retirement is self-reliance.

3. Failing to protect assets

Even a good financial situation can go bad quickly if assets aren’t protected properly. The death of a spouse, a sudden disability, a business failure, or a disaster like a house fire can wipe out retirement savings in a number of different ways. Alternatively, illness or injury can force us out of the workforce early, depriving us of critical income late in our careers. An up-to-date Will, enduring powers of attorney, a trust if right for your circumstances, life and disability insurance, and insurance for major assets are all important parts of a good asset protection strategy.

4. Giving too much away

As a parent, it’s natural to want to support our children financially - especially considering the current conditions with the housing crisis that many young people and first home buyers are finding themselves in. However, it’s important to think of yourself first. While that might sound selfish, this is important both for yourself and your children.

It’s not easy to muddle through a hard financial situation as a young adult, but it’s doable for most. That difficulty is well worth it if it means not having to rely on the support of aging parents later in life.

5. Underestimating your life expectancy

Kiwis are living longer than ever, and life expectancy is still rising. If we only plan for our retirement fund to last 15-20 years, there is a good chance that we’ll outlive our ability to support ourselves. As life expectancy is still going up, most of us should plan our retirement funds to last at least 25-30 years.

Planning, budgeting, and structuring your finances is the key to securing the kind of retirement you want to enjoy in your golden years. At Trustees Executors Private Wealth, we help our clients to plan for retirement, build wealth, and protect their assets to make sure that they and their loved ones are taken care of. If you’d like to learn more about how we can help, get in contact with us today.