Common Retirement Investment Mistakes

Having enough money after you retire is a big concern today for Americans. In fact, only roughly one-in-four Americans feel very confident that they will have enough money to live comfortably when they retire, according to a recent survey.

The concern is certainly justified. After all, Americans are living longer lives than ever before, and the uncertainty of being able to maintain a lifestyle for 20, 30, or 40 years after you retire is understandable.

While there's no single action that can increase your confidence if you're nearing retirement age, there are several key investment mistakes that, if you avoid them, can help you maximize your retirement savings and perhaps give you the confidence to help you retire with less financial stress. These are the things you'll want to avoid.

Mistake number one: Failing to maximize your contribution. If you can afford to do so, contributing the maximum amount to your employer-sponsored retirement plan will increase the chance that you'll reach your investment goal. The earlier you start, the better. It will allow your investments the opportunity, along with any potential earnings to grow on a tax-deferred basis.

Mistake number two: Failing to develop a plan. Without a plan, it's difficult to understand whether your savings will help support your living standard. As such, establish a plan early, laying out clear goals that incorporate the number of years until your planned retirement. This will help you create a practical investment plan for your goal. Without such a plan, it will be difficult to understand whether your savings will provide you with the living standard to which you've grown accustomed and for each year of your retirement.

Mistake number three: Adopting a short-term investment mindset. The stock market fluctuates a lot and in the short term, there's a decent chance of price volatility. Therefore, selling off your holdings whenever the market drops is a sure way to incur losses that impact your long-term goals.

Mistake number four: Trying to be perfect. Trying to time your investment decisions on when the market will be at its lowest or highest is risky business, and it can lead to missed opportunities. Invest your money with an eye toward the long term.

Mistake number five: Putting all of your financial eggs in one basket. Some investors make the mistake of investing in just one fund or asset type. This is risky business if the market swings and impacts that one holding. On the other hand, if you diversify your risk over a mix of assets, this can help control any potential losses during sharp market swings.

By avoiding these common mistakes, you increase the potential for investment success and reaching your retirement savings goal.

Questions? Contact First Financial's Investment & Retirement Center by calling 732.312.1534. You can also email mary.laferriere@lpl.com or maureen.mcgreevy@lpl.com

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