

REAL SIMPLE

5 MONEY MOVES TO MAKE 10 YEARS BEFORE YOU RETIRE

If you're 10 years away from retiring, take these key steps to make sure your finances are in check for when you make the leap. Here are five ways to prepare your finances, according to experts.



By: Hiranmayi Srinivasan - August 11, 2021

You have worked and saved and worked some more, and now you're finally 10 years away from retirement—first of all, congratulations, you're almost there. Second, it's time to check in on your finances and make sure they're in good shape for when you actually retire. Whether it's maximizing your savings or figuring out how much money you're doing to need to live off of, there are a lot of key steps to take in the decade leading up to retirement—especially if you plan on retiring early.

Maybe you have spent the past few decades saving or you haven't given it much thought, but either way, it's never too late. "If you are 10 years from retirement right now and have done no planning whatsoever, it is not too late to start," says Ryan Cicchelli, founder of Generations Insurance and Financial Services. Cicchelli says he has helped plenty of people in this situation who were still able to start saving and get on track for their retirement goals. "The best time to start planning was yesterday, but the next best time is right now," he says.

If you're 10 years away from retirement (or would like to be at some point) here are the important money moves you should make to set yourself up for success (and savings), so you can really enjoy your retired life.

1. Check in on your retirement accounts.

Remember your retirement accounts? Well, it's time to check on them. Maybe you started saving for retirement in your 20s, set up automatic contributions, and then forgot about them over the years. "In my experience, most people tend to set these accounts and forget about them entirely," says Cicchelli.

Whether you have a 401(k) or a self-employed retirement account, try to maximize your contributions in the years leading up to retirement. If you have company matching for your 401(k), Cicchelli recommends putting in enough to make your employer max out their contributions to your account, even if

you are unable to meet the maximums for your own.

If you are over 50 years old, you can also take advantage of catch up contributions, suggests financial planner Matt Hylland. Catch up contributions allow you to put in an extra \$1,000 into an IRA or Roth IRA, and \$6,500 extra in your 401(k).

2. Come up with a budget for when you retire.

Figure out how much you'll spend in retirement—that way, you'll know how much you need to save. Figure out a type of budget that works for you, and start tracking your spending now. Use whatever method works for you, such as a budgeting app or a trusty spreadsheet, and get to work.

"Taking the time and effort to do this will give greater peace of mind and a clearer picture of your spending needs when you're ready to take that leap into retirement," says certified financial planner Julia Pham.

Figuring out how much your lifestyle costs now and what it would take to maintain it can help you find any areas that you can cut back on now to increase your savings.

Pham also suggests considering your future needs when you're coming up with a budget, because chances are, you'll spend more than you think when you retire. "Healthcare will likely be a large expense down the road, so be prepared," says Pham. She says a good rule of thumb to figure out how much you need to save by the time you retire is to multiply how much you want to spend each year in retirement by 25. Consider going to a financial advisor or planner to help you figure out your numbers and what would work best for your individual needs.

Save up for medical expenses during your retirement by contributing to a health savings account or HSA, suggests Artem Minaev, co-founder FirstSite-Guide, a platform that provides resources for online businesses. As of this year, you can contribute up to \$3,600—where it will grow tax-free.

3. Invest your money, and make sure you have a diverse portfolio.

In the decade before retirement, you're likely at the peak of your earning—so make sure you're saving

and investing wisely. Hylland suggests "dialing back on your investment risk," at this stage and focusing on diversifying your investments and playing it safe. "As you get closer to retirement, the impact of a market correction can be much more serious," Hylland explains.

In addition to investing your money in retirement accounts, investing in stocks and bonds is a safe and smart way to make the most of your money in the years leading up to retirement. "In the last 10 years before retirement, you should change your portfolio allocation to 50 to 60 percent stocks and 40 to 50 percent bonds," says Brian Dechesare, founder of financial investment platform Breaking Into Wall Street.

4. Look into multiple income streams.

It is a good idea to set up multiple sources of income for when you retire—after all, you won't be getting that regular paycheck. This can come from your investment accounts, a pension, a passive income stream such as investing in real estate, or starting a side hustle.

"You might take advantage of deferred income programs at companies, buy rental properties for cash flow, develop passion project consulting gigs, and other ways to supplement your primary nest egg," says Maggie Tucker, co-host of personal finance and early retirement podcast called Friends on FIRE.

Looking into multiple sources of income will give you peace of mind during your retirement and keep you active and engaged.

5. Work on paying off or consolidating any debt.

The last thing you want to be doing in your golden years is paying off debt, so use those 10 years before you retire to evaluate any debt you might have and come up with a strategy to pay it off. "One of the first things you should do is figure out the financial timeline of any debts you owe," says Cicchelli.

See if you can consolidate your debt, or refinance or negotiate it. Either way, make a plan before you retire so you can pay down your debt—the sooner you pay it off, the more money you will have to put towards retirement.

Ryan Cicchelli, founder of Generations Insurance & Financial Services, is committed to providing clients with financial security through a personalized, friendly approach. Ryan's top concern is helping clients make informed decisions about all things related to healthcare and retirement.



To contact Ryan, call 231-878-7074 or visit www.GenerationsIFS.com

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