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3 Retirement Planning Mistakes to Avoid

A practical guide for households approaching or living in retirement

5-MINUTE GUIDE

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A BETTER STARTING POINT

Retirement planning is a coordination problem

A strong retirement strategy is not built around one product or one prediction. It aligns income, liquidity, taxes, risk tolerance, legacy goals, and time horizon.

The key question

Not: What is the best investment?
Instead: What combination of resources best supports the life I want, across a range of possible outcomes?

This guide highlights three common planning errors:

01	Chasing performance Selecting investments before defining the job each dollar needs to do.
02	Projecting the past forward Building a plan that depends on favorable markets arriving on schedule.
03	Skipping contract comparisons Acting on a recommendation without reviewing costs, access, guarantees, and alternatives.

Important: This material is educational and does not provide individualized tax, legal, or investment advice. A recommendation should be based on your complete financial picture.

MISTAKE 01

Chasing the "best investment"

Retirement dollars have different jobs. Treating every dollar as a growth asset can create avoidable pressure when markets decline or expenses arrive unexpectedly.

During your working years, the primary goal may be accumulation. In retirement, the priorities often broaden: generating reliable income, preserving access to cash, managing volatility, funding health needs, and leaving a legacy.

Assign each dollar a job

Near-term cash	Cover planned spending and surprises	Liquidity, stability, easy access
Retirement income	Support recurring expenses	Reliability, inflation, longevity
Long-term growth	Maintain purchasing power	Time horizon, diversification, volatility
Legacy	Transfer assets intentionally	Beneficiaries, taxes, estate coordination

A more useful decision rule

Choose investments and insurance products only after you define the objective, time horizon, liquidity need, and level of risk you can reasonably accept.

MISTAKE 02

Assuming the future will resemble the past

Historical averages can be useful context, but retirement outcomes also depend on the order of returns, inflation, withdrawals, and how long retirement lasts.

Two portfolios can earn the same average return and still produce very different retirement experiences if losses occur at different times. Withdrawals during an early decline can make recovery more difficult. This is commonly called sequence-of-returns risk.

Illustrative retirement stress test

Early retirement High sensitivity to withdrawals and market declines	Middle years Inflation and spending changes compound	Later years Longevity and care needs become more prominent

Conceptual illustration only; it does not represent actual or projected investment performance.

Questions worth testing

- Could the plan support several weak market years near the start of retirement?
- What happens if inflation remains elevated or spending is higher than expected?
- How much accessible cash is available before long-term assets must be sold?
- Which expenses are essential, and which can adjust during difficult markets?

Planning principle

A resilient strategy does not require one forecast to be exactly right. It prepares for multiple reasonable scenarios and includes clear adjustment points.

MISTAKE 03

Acting without comparing the details

A recommendation is only as useful as the assumptions behind it. For annuities and other insurance products, contract terms matter as much as the headline rate or income figure.

Before moving forward, ask for a side-by-side review that explains benefits, limitations, costs, and what would need to happen for each option to work as intended.

Financial strength	Which insurer issues the contract, and what ratings are available?
Access to funds	What withdrawals are available? When do surrender charges apply?
Crediting method	How are rates, caps, spreads, or participation rates determined and renewed?
Income features	Is a rider required? What does it cost? Is the income value available as cash?
Tax treatment	How may withdrawals be taxed, and should a tax professional be consulted?
Beneficiaries	What happens at death, and how does the contract coordinate with the estate plan?
Alternatives	What other strategies were considered, and why was this option selected?

Contract provisions vary by carrier and product. Read the full contract and disclosures before making a decision.

WHERE ANNUITIES MAY FIT

One tool within a broader strategy

An annuity is a contract issued by an insurance company. Depending on the type and terms, it may help address specific retirement goals. It is not automatically appropriate for every investor or every dollar.

Potential planning roles	
• Create a stream of income that can be structured to last for life.	• Limited liquidity and surrender charges may apply.
• Provide principal protection from direct market losses in certain fixed products.	• Growth potential may be limited by declared rates, caps, spreads, or participation rates.
• Offer tax-deferred accumulation outside a qualified retirement account.	• Withdrawals may be taxable, and early distributions may incur tax penalties.
• Support beneficiary or legacy objectives, depending on contract terms.	• Optional benefits may add cost, complexity, or restrictions.

Know what is guaranteed

Insurance guarantees are backed by the claims-paying ability of the issuing insurer. Annuities are not bank deposits and are not FDIC insured. Variable annuities and registered index-linked annuities can involve investment risk, including possible loss of principal.

YOUR NEXT STEP

Turn information into a personal plan

A useful review starts with your goals, existing income sources, expected expenses, liquid reserves, tax situation, and comfort with market risk. From there, potential strategies can be compared on the same set of assumptions.

Bring these items to a retirement strategy conversation:

- Recent account statements and current annuity or life insurance contracts
- Estimated Social Security and pension income
- A monthly spending estimate, including major upcoming expenses
- Your priorities for income, growth, liquidity, and legacy
- Questions about fees, taxes, access to funds, and beneficiaries

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Explore annuity education and comparison resources