You?ve done all the right things. There was that formal retirement analysis 5-7 years before your anticipated target date, a consistent plan of saving, investing, and portfolio risk management coupled with a tax-smart retirement income distribution and Social Security maximization strategies. However, mistakes have potential to pop up in the most unusual of places: Spaces that are dark, unexpected and far from finances. They live in your head. The genesis of these errors is a complex soup of emotional and cognitive pitfalls; financial plans, as a blend of numbers, a snapshot along the road to goals or financial life benchmarks, can?t decrypt behavioral context. Emotions and money are formed early in life - through observation and experience. Your money script was formed a long time ago. So what pitfalls should soon-to-be retirees try to avoid? **You battle too late, or get thrown too soon into, a mental lane change that comes with retirement.** If you?re two years or sooner to retirement, it?s time for what I call a *?Return-On-Life?* assessment. Are you asking yourself the right questions so it?s an easier transition to the next iteration of you?

> *?How will I feel when I?m not accomplishing tasks, or on deadline in a work environment?? ?How will I remain active?? ?Where can I contribute?? ?How can I learn new things and keep my mind sharp?? ?What steps will I take to pursue my passions?? ?What are the hobbies or interests I?ve put aside and would like to*

pursue??

Retirement is as much an emotional as it is a lifestyle and financial adjustment. In some cases, more so. Those who don?t consciously prepare to redefine life?s purpose and passively wait to see what develops, may discover the adjustment process is arduous. Consider two years before retirement a new self-discovery phase, the next iteration of growth ? Retirement prep work, so to speak. Yes, emotional imbalance is imminent. Shifting to the right lane, visualizing the destination sign, and knowing an exit is drawing closer will help you mentally prepare. I never discount how challenging it is for new retirees to acclimate to a new schedule or in some cases, no schedule at all. Due to a rise in interest rates and corporate America in perpetual cost/head-count cut mode, retirement time-line decisions are increasingly compressed - also due to employees with pensions who must decide whether working an additional year or two is worth the loss in lump sum pension payouts. The closer retirement gets, the nearer the exit sign, the stronger your commitment to go through a return-on-life exercise should become. A successful evolution occurs when new retirees redefine success on their own terms. Transition steps that I?ve seen initiated successfully: Working part-time to ease into a retirement mindset, giving of time to a favorite charity, family vacations especially with grandkids, a new pet, a house renovation project, courses on photography and cooking, and rigorous physical endeavors like yoga and aerobics. **Ignoring your investment allocation, especially near retirement.** With the current Shiller P/E at 30x and an assorted number of market metrics at a stretching point, (read: Technically Speaking: Valuation Measures & Forward Returns), those who are less than 5 years from retirement are in the ?red zone,? or too close to target date and must take action today to reduce risk in their portfolios. It?s best to ignore market and financial media that are in a fevered frenzy to validate rich valuations. As we?ve always witnessed, this doesn?t end well. It?s a matter of when reversion to the mean occurs. While navigating the right lane, financial surprises need to be minimized. Heavy portfolio losses will throw off your time line and compel you to work longer than originally anticipated. Complacency at this juncture is dangerous. Generally, a stock allocation that doesn?t exceed 40% should be considered. If greater, a sell discipline must be employed to minimize losses. There?s nothing wrong with an overweight to cash, laddered short-term bonds or certificates of deposit that are staggered in maturities from six months to two years. Brick & mortar banks are going to be late to the game raising rates on savings vehicles. Consider FDIC-insured online banks right now. For example, www.synchronybank.com, as of July 16, has a special offer of 1.55% APY for a 15-month CD. There should be a sense of urgency to meet with a financial professional, preferably a fiduciary, who can assist with portfolio rebalancing suggestions. **Supporting adult children and grandchildren during retirement years.** Since the Great Recession, multigenerational households where children and grandchildren are cohabitating under one roof, is now commonplace. Society is also witnessing grandparents taking on parental or childcare responsibilities for younger generations. According to Pew Research, one-in-ten children are living with a grandparent. Retirees must not be afraid to ask family to contribute to household expenses or utilize an independent third party to hold a family meeting and share difficult news about household financial challenges. In addition, retirees should take their emotions out of financial decisions when it comes to lending money to others when it places their long-term retirement plans in jeopardy. If saying ?no? isn?t an option or an emotional obstacle, then a financial plan requires an update to determine how it impacts long-term plans before a lending decision is made. **You?re too much house, no enough cash.** Many pre-retirees and new retirees I counsel own their primary residences free of mortgage obligations and planned it to where ownership doesn?t endanger their retirement income requirements. Cash flow is the lifeblood of a successful retirement and the liquid assets required to generate it are a priority. Several have downsized and decluttered 3-5 years before retirement to accomplish the task; an effective strategy I highly endorse. Unfortunately, over the last 17 years it has taken a much larger investment bucket to service income needs compared to the previous stock and bond market bull cycle. So, if paying off a house places liquidity and the ability to generate income in jeopardy, then the harsh reality is you may need to carry mortgage debt or retire later. More than three-quarters of Americans of retirement age are homeowners; Close to 37% of those over 65 retire with mortgage debt according to the Urban Institute?s Health and Retirement Study. Those with outstanding mortgages tend to work longer and delay receiving Social Security. As a general financial guardrail, if paying off a home consumes 30% or more of the assets you set aside for retirement, then it may be best to live smaller with a mortgage that doesn?t exceed twice your total retirement income including pensions (if any), and Social Security. Or perhaps, you must navigate away from the right-lane retirement exit and consider it years down the road. In theory, a paid-off house may sound like security, however it may freeze up liquidity at a time it?s required the most. If downsizing isn?t an attractive option or you feel you must pay off your mortgage liability, then a Home Equity Conversion Mortgage option should be considered. Don?t worry. Reverse mortgages are not what they used to be. There?s volumes of financial academic research that now support this option as a viable source of retirement income. Read: Frequently Asked Questions about HUD's Reverse Mortgages. Even with best of intentions, a retirement journey can be uneven. Such is a life. Ostensibly, retirement plans are rarely perfect. The key is awareness to recognize when financial decisions are based primarily on emotion or ingrained false senses of security which place an otherwise secure retirement at risk.