TFSA Investors: 3 Devastating Retirement Mistakes You Need to Avoid

Description

When it comes to investing, especially as you near retirement, avoiding mistakes with your finances becomes paramount. Any mistake can be costly, but avoiding major mistakes will be the key to ensuring no financial stress or hassle, as you live out your golden years.

When most people think of successful investing, the first thought that comes to mind is all the top investments you'll need to make to grow your money. What can be just as important, if not more so, is that you will still need to sustain the rest of your capital, finding the highest-quality investments to protect your hard-earned money.

Below are three mistakes you'll want to avoid with your finances to ensure as smooth a retirement as possible.

Lack of detailed financial plan

Having a plan isn't just about budgeting how much you want to spend and how much you expect to receive each year, a financial plan for your retirement should go a lot more in depth, covering all aspects of your life. During this stage, it will be crucial that you see a financial advisor to help you steer in the direction that's right for you and help to set easy and achievable goals and targets when it comes to your finances.

It's also important to know that one thing could have big impacts, so understand the changes that may need to be made and what effects they have.

Your plan should cover basic topics such as your retirement investments, tax planning, investment withdrawal amounts, and timing, as well as when to take retirement income such as the CPP and OAS payments.

Everyone is different, so it's important you get a plan that's tailored to your lifestyle and needs.

It could even be worth it to see more than one advisor to see how they compare, what similarities and what differences they recommend, and for what reason.

Not adapting to your new lifestyle

As you grow older or as the market environment changes, your plan will have to change to better reflect your new situation or needs. For instance, you will probably need to sell some growth stocks at some point and invest in more stable and reliable income-generating companies such as a stock like **Hydro One**.

Hydro One is one of the top utility stocks in Canada and the type of stock you would expect to see in portfolios of investors who need more exposure to income and less exposure to capital gains. The stock's regulated earnings and defensive industry help to make the dividend super reliable, making it a top choice for retirement investors.

Transitioning from growth stocks to income-generating stocks is important, but it shouldn't be rushed, as you won't want to make any rash decisions when buying or selling. Taking it a step further, you may even want to consult your financial advisor to potentially move more of your money to fixed-income investments, reducing your exposure to equities.

Besides investments, a change in your plan could be delaying an investment withdrawal or making one earlier than expected to cover an unexpected cost that just came up.

Having little or no flexibility

Because your plan and goals are going to have to be flexible during this period of your life, when you first craft your plan, you'll want to make some conservative estimates.

This includes conservatively budgeting how much your portfolio will be worth, how much it can generate in income, as well as leaving extra spending money in your budget.

An emergency fund is crucial for everyone, but even more so when you are in retirement and you aren't earning income on a regular basis.

It's just as important, if not more important, to be on top of your finances and know what money's coming in and what's going out.

Bottom line

A lot of people see retirement as a much easier time in life to wind down and relax, and while this could and should be true, it could also be the opposite if you haven't adequately prepared yourself.

So, avoid these crucial mistakes and, above all else, see a professional who can help advise you and recommend what to do next.

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1. TSX:H (Hydro One Limited)

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