Six perennial mistakes retirees make

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Julia Valentine, author of "Joy Compass: How to Make Your Retirement the Treasure of Your Life")   2-25-2012

6. Getting advice from the wrong source

Many retirees take financial advice from friends and family over that of professionals. Even the most well-intentioned and insightful advice does not replace that of an investing expert, accountant or other retirement finance authority to aide with critical decision-making that will impact the entirety of a retiree's life.

5. Underestimating inflation

If a nest egg is not earning enough to stay ahead of inflation and taxes, a retiree's retirement lifestyle is likely to get scrambled well ahead of its time. It's key to establish the appropriate blend of risk and return necessary to maintain short-term purchasing power in working toward long-term goals.

4. Going to the well too early

Withdrawing too much money early on in retirement and running out of resources later on in life is a common mistake made by seniors. Why do they usually run out of cash? Surveys show that the typical American is not knowledgeable about health care costs, life expectancy, income needs, and other risks.

4. No plan, Stan

Retirees often lack a financial plan that includes estate planning, budget, etc. for both the short and long term to avoid problems and capitalize on all financial opportunities. According to the National Association of Unclaimed Property Administrators, state treasurers currently hold $32.9 billion in unclaimed bank accounts and other assets. According to the U.S. Department of Labor, $850M in 401(k) assets go unclaimed each year.

2. Operating on autopilot

Unfortunately, many retirees fail to adjust the asset allocation of investment vehicles in their portfolio with time (i.e., "stage of retirement" relative to life expectancy), and have an inappropriate mix of investments for one's lifestyle goals, time frames and risk tolerance.

1. Falling for scams

One out of five Americans over 65 has been a victim of a financial scam, according to the Washington-based non-profit Investor Protection Trust. More than 7.3 million seniors are taken advantage of financially through inappropriate investments, high fees or fraud, at a cost of more than $2.6 billion a year. Four in five cases are not reported, according to the MetLife Mature Market Institute Study, March 2009.