

## HOW TO RETIRE IN 10 YEARS WHEN YOU HAVE LIMITED SAVINGS



By: Heather Taylor - May 04, 2022

A large segment of the American population is facing retirement in the next decade and has little to no savings. Is it still possible to retire if you have financially fallen behind?

GOBankingRates spoke with financial experts to determine some of the reasons why people experience a shortfall in savings, and how you can use the decade leading up to retirement to get into adequate shape for your desired retirement lifestyle.

### How Does Someone Fall Behind in Savings?

Often there's only one answer as to why our savings shrink over time: life happens.

Skip Skolnik, senior planner and founder of Skolnik Retirement Solutions, said having little or no savings is more common than one may think, and the reasons for this are countless. Some of the top reasons may include unanticipated life events — such as the loss of a job or a divorce — excessive or long-term debt, or adults and children experiencing health issues that lead to expensive medical bills.

The less there is in savings, the substantially smaller the margin for error becomes in the life of a soon-to-be retiree.

### How To Catch Up in a Decade

Here are the next steps that must be taken to attain a suitable retirement.

### Evaluate Your Present Situation Using a Gap Analysis

Before you can start planning for the retirement you want, you need to know where you are right now. Take a moment to ask yourself the following questions:

- Where are you?
- What do you have?
- What is your present debt and income situation?

From here, Skolnik recommends conducting a gap analysis. "To determine the gap, we need to identify our fixed and variable monthly expenses and then subtract this from our total monthly income at retirement," said Skolnik.

The difference is the gap, or the amount of money that

needs to be made up for in another way monthly.

### Control Spending

Those looking to retire in the next 10 years with little or no savings need to make a change and make it now. The easiest way to shrink or remove this gap is by controlling your spending.

"It was once said it doesn't matter what you make, it is all about what you spend," said Skolnik. "You need to start living as if you were already retired, spending needs to be limited and savings need to rise."

Sri Reddy, SVP of retirement and income solutions at Principal Financial Group, recommends proactively choosing to live within your allowable means. "The first step is to take a good look at your budget to determine where you can cut back on wants, and what you realistically need to live day-to-day," said Reddy.

Realistically, most people will still need to pay for bills and grocery expenses. Others may find they are able to downsize their home, move to a lower cost-of-living area or adjust their retirement expectations.

### Fill the Financial Gap

After spending is controlled, Skolnik said soon-to-be retirees must determine how to fill the financial gap found in the gap analysis.

Some options include using savings, Social Security, IRAs and 401(k) plans. Max out any employer provided group retirement plan contributions. Individuals that do not have access to these financial options may need to use alternate income or work a part-time retirement job.

### Delay Retirement

While it's not ideal for many, those with limited or no savings that want to retire in 10 years may have to consider delaying retirement.

"Delaying your retirement by a few years can be powerful," said Reddy. "A delay reduces your amount of necessary retirement income, and increases years to further save."

Most Americans need to work to at least age 65 when they qualify for Medicare. Skolnik said it is unwise to retire without health insurance. As such, there are additional benefits to delaying retirement and not turning on Social Security.

"By delaying Social Security, your annual income can increase up to 8% per year for the rest of your life — compounded," said Skolnik. "For example, postponing Social Security from age 62 until age 70 can result in a 77% increase in annual income for the rest of your life."

Reddy also recommends delaying claiming Social Security to as late as possible, preferably at age 70. This allows retirees to receive the maximum payment available.

### Assess Your Living Situation

Prior to retirement, most people set a goal to pay off their home, which makes a huge difference in their overall happiness and financial stability. However, depending on how you look at it, your home can be an asset or a money pit.

If your home is not yet paid off, Skolnik said homeowners may need to refinance or make aggressive, additional payments before retiring. Those with homes that act more as money pits may consider downsizing. Skolnik said downsizing makes life in retirement financially and physically easier, with less maintenance and upkeep.

### Understand Your Retirement Vision

In the decade leading up to retirement, Reddy said it's essential to understand your vision for retirement and the monthly or annual budget you'll need to sustain that lifestyle.

Evaluate your needs and wants. If you have a partner, ensure they are on the same page and evaluate your current savings and potential shortfalls together. If there are any gaps, make a concrete plan to remedy or address these issues. Reddy recommends having a contingency plan in the event of an unexpected life event that forces retirement sooner than anticipated.

Part of your retirement vision should also focus on the care and keeping of your health. Skolnik said one of the single greatest expenses in retirement is healthcare. You can reduce these expenses by eating well, exercising appropriately and staying active through walking or gardening groups.

Even if life situations have put you a bit behind financially, you can still reach retirement through hard work and focus.

"By pausing for a few minutes to evaluate your financial situation and make wise choices, there is a path to a comfortable, satisfying retirement," said Skolnik.

Ron, "Skip" Skolnik is the senior planner and founder of Skolnik Retirement Solutions in Elyria, OH. Skip has more than 20 years of experience in the senior and financial services industry. He has dedicated his career to helping seniors successfully transition into their golden years.

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