HEALTH. WEALTH. WISDOM.

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Plotting Your Way Toward Retirement: 5 Positive Financial Habits

Like most people, you probably have a vivid, exciting picture of what your ideal retirement will look like. Maybe it's spending time with family at a beach house, crossing off the book titles that have accumulated on your to-read list, or finally being able to volunteer enough of your time to make a difference for your favorite charity. But there's no doubt that the journey to retirement is long and winding—and, as with any journey, you'll encounter challenges along the way before arriving at your desired destination. Adopting good financial habits is a must for plotting a successful retirement journey. Let's explore five positive ways to get—and stay—on the right track.

1) Create a budget. As a first step, it's critical to determine how much money you have to work with each month and what you spend it on. Then, devise a budget based on those factors.

Writing down your monthly expenses—or entering them into a spreadsheet or budgeting app—will clarify what your monthly income actually pays for.

Being able to decipher needs from wants is important. Needs are essential expenses, such as housing, food, utilities, and transportation. If you couldn't pay for those, you would be in a serious bind! Wants are $7 gourmet lattes, frequent streaming purchases, or vacations at luxury resorts that you could forgo. Determining what you really need versus what you merely want takes discipline, but it's a key attribute of effective saving. You may be surprised at how quickly the cost of nonessential items adds up! And seeing those expenses on paper creates the accountability and motivation you need to commit to getting serious about a budget.

2) Get a clear picture of future health care expenses. Having a realistic estimate of the health-related costs you may incur during your retirement years is an important item to cross off your preretirement planning list. Why? Because out-of-pocket health care expenses can eat into your retirement savings or, even worse, stunt your efforts to save. This free online calculator can help you arrive at a fairly reliable number and give you a planning target. From there, you'll be able to choose the most appropriate health care savings offering.

A common misconception is that Medicare, the federal health insurance program that kicks in at age 65, will cover your total health care costs when you retire. In fact, Medicare typically pays only about 60 percent of a retiree's health care costs. Further, basic Medicare doesn't cover some much-needed services, such as routine dental and vision care, hearing aids, and long-term care. You can plan for the future costs of health care by investing in a health savings account or obtaining a long-term care policy. These options could save you money in the long run!

3) Start an emergency fund. Would you be surprised to know that 4 in 10 adults would be poorly prepared to pay for a $400 emergency expense? Having an emergency fund—a stockpile of money set aside to cover unexpected expenses such as car repairs or a broken refrigerator—will help you breathe easier during stressful times. An emergency fund can also help you pay for essential expenses without the need to dip into your retirement accounts or put a stop on saving. Ideally, your fund should have enough cash to cover three to six months of essential living expenses (such as those described in "Create a budget"). That may sound like a lot of money, but if you commit to putting a little away at a time in short-term increments (e.g., $25 per week), saving becomes more attainable, and your long-term retirement savings goals can remain on track.

4) Take your first step toward navigating debt. It's a well-known fact that most Americans struggle with debt. And debt is a major driver of stress: research has shown that 64 percent of adults report feeling significantly stressed about money. When it's a struggle to make the minimum payments on monthly credit cards, mortgages, or student loans, finding extra dollars to save for retirement can be a daunting task. How you accumulated your debt doesn't matter; you need to focus on how you'll free yourself of it. Resolve today to take the first step toward controlling your debt. There are several tried-and-true methods for paying down debt, but most begin with having a solid debt-reduction plan and sticking with it. Not sure where to start? A financial advisor or a credit counselor can help you see the light at the end of the debt tunnel.

5) Put savings on autopilot. When we're faced with difficult decisions, human nature often dictates that we make no decisions at all. That theory rings especially true when finances are at the heart of the decision-making process. If that sounds like you, try this: make your savings process automatic.

For example, when you enroll in your company's 401(k) plan, participate in the automatic-increase program—that's where the amount you contribute to your retirement account automatically increases incrementally each year, usually by an amount so small (such as 1 percent) that you'll barely even notice. Or, you can have your paycheck direct-deposited and set up multiple subaccounts, or buckets, for various expenses or savings goals. Not having those dollars burning a hole in your pocket will make it much easier to save and accumulate money over time.

Retirement Plan Account Review Is Key

Keeping tabs on your retirement accounts is a balancing act, particularly if you have more than one. Although some favor the set-it-and-forget-it approach, it's wise to regularly review your accounts to ensure that you're heading in the right direction.

Consider these simple tips to help you stay on track:

Review your account statements. Whether on a monthly or quarterly basis, it's important to review your statements to ensure that your contributions are deposited in a timely manner and allocated to the investment options you elected. In most cases, retirement account statements are made available online through a web portal, but, if you wish, you can request to receive a paper copy instead.

Reassess your investments. It makes sense to periodically review your account portfolios to be sure that your asset allocation (the strategy of dividing your investments among different asset classes such as stocks, bonds, etc.) is still in line with your retirement saving goals and risk tolerance. Over time, your asset allocation can get out of alignment. When this happens, you can have your account rebalanced, restoring your investments to their original allocation. Alternatively, most 401(k) plans offer target-date funds—professionally managed mutual funds that automatically allocate the appropriate mix of stocks, bonds, and fixed income products according to the date that an investor expects to retire. Another benefit of target-date funds is that they automatically rebalance on a periodic basis.

Take advantage of retirement education. As part of their 401(k) benefits offering, most companies provide retirement plan education and workshops. These resources are typically led by a skilled financial professional who can help you make positive retirement saving decisions, so it's a good idea to take advantage of them. If you prefer a technological approach, numerous financial planning tools, such as calculators, guides, and worksheets, are usually available through your retirement plan.

Choosing Passwords: Dos and Don'ts

In this digitally connected age, passwords are used every day. And thinking of a new password for all our computers, devices, accounts, and frequently used websites and apps can be a major nuisance! But the fact is, poor password security is at the heart of identity theft and other cybersecurity breaches worldwide. That's why it's crucial to exercise caution when choosing and maintaining passwords, whether at home or in the office. The Cybersecurity and Infrastructure Security Agency offers the following dos and don'ts for choosing and maintaining your passwords:

- **Do** use different passwords on different systems and accounts.
- **Don't** use passwords that are based on personal information that can be easily accessed or guessed.
- **Do** use the longest password or passphrase permissible by each password system.
- **Don't** use words that can be found in any dictionary of any language.
- **Do** develop mnemonics to remember complex passwords.
- **Do** consider using a password manager program to keep track of your passwords.

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