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5 Must-Do's to Start with for Retirement Success

No matter who you are, how much you've saved, what kind of salary you make or how you want to spend your golden years, you're going to need to do these five things before you can retire.

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There's no direct path to retirement. Everyone has a different idea of the perfect age to stop working. Everyone has a different amount of money they think they'll need to live comfortably. And everyone has a different plan for what they want to do when they don't have to go to work anymore. Some want to play more golf. Some want to move to the beach. Some want to spend more time with family. And some may wish to spend less time with family.

Yes, everyone is different. Still, there are some basic "must-do's" that all investors should take care of to help ensure retirement success.

1. CREATE AN APPROXIMATE RETIREMENT BUDGET.

Today, fortunately, we're all living a lot longer. You might spend more years in retirement than you did working. How wonderful is that?

But it also can be scary: Time after time, we hear that most retirees' greatest fear is that they'll outlive their money. If you think you'll come up with a solution down the road (winning the lottery, generous kids, etc.), well, good luck with that.

In the meantime, be realistic about how much money you'll need to have a lifestyle you'll enjoy. Then think about where it will come from. I typically advise my clients that most of it should come from guaranteed income streams, such as Social Security, a pension and/or a fixed index annuity.

2. FIND A FINANCIAL ADVISER WHO SPECIALIZES IN RETIREMENT.

I've been in the business a long time, and I've met a lot of other advisers. I'm proud to report that the majority are very professional and are doing the right things — to a point.

The problem is that most focus their practices on growth and capital appreciation. They're trained that way, and many don't make adjustments for a client's age and stage in life. The result is that many people who are within three years of retiring have a portfolio that's been designed for a 28-year-old.

When you're 28, you can absorb market fluctuations and losses because you'll have plenty of time for account values to recover. Your portfolio can handle the exposure to risk. But if you're in the retirement "red zone," it may not have time to make a comeback.

An adviser who specializes in retirement income and capital preservation may recommend a more appropriate allocation.

3. MAKE THE MOST OF YOUR SOCIAL SECURITY BENEFITS.

There are hundreds of combinations that will help you maximize your Social Security benefits. Finding an appropriate one could mean the difference of thousands of dollars in guaranteed annual income, so ask your adviser to help you with this.

4. MAKE YOUR PENSION LAST.

Pensions are an important piece of the retirement puzzle for those who have earned them. They're also important to their spouses.

It's been my experience that many people make the mistake of selecting the highest income per month they can get, using the single-life distribution option, without considering their own life-expectancy.

When I ask a client, "What is your loving wife going to receive if you die prematurely?" he usually turns crimson, because the answer is he didn't think about that; he thought he would live forever. Now, if both spouses have a pension or there's life insurance or a large amount of money to fall back on, it might not make a difference. But for most surviving spouses, losing that pension could be a major reduction to their income.

For example, let's say Bob brings in $2,000 a month from Social Security and $1,800 from his pension. His wife, Esther, who stayed home with the kids for years, brings in $1,200 in Social Security. When Bob dies, suddenly Esther loses $3,000 a month in income: the lower of the two Social Security payments ($1,200) and the pension ($1,800). That's $36,000 a year she has to do without. Devastating, right? So wise income planning is critical.

5. PROTECT YOUR NEST EGG.

The financial vehicles our parents relied on for safety don't make money like they used to, while the stock market is reaching record highs. Individuals who wouldn't have stuck a toe in the market in the past are now jumping in with both feet. But when the market turns (and it will), there may be serious ramifications for those who linger too long.

What happens to Bob and Esther if their stocks fall 20% this year and they continue drawing $2,000 a month from their investment savings as they planned? They'd need the market to increase by more than 43% the next year to get their assets back to where they were.

I don't know about you, but I've never made 43% in the stock market. I think you'd have a better chance of recovering your losses at a casino — at least they'll buy you a cocktail.

Utilizing a retirement income strategy for some of your portfolio that incorporates guarantees from Social Security, pensions and fixed index annuities might be a better alternative than placing all your retirement assets in a growth portfolio.

If you use this strategy, you can invest any remaining money in something with a bit of risk.

Retirement is more complex than most people think. To make your way through, you could pick up a copy of Retirement for Dummies and hope for the best, or you could be smart and get together with an experienced adviser who is a retirement income specialist for this challenging phase of your financial life.

Kim Franke-Folstad contributed to this article.

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