

Clearing Financial Hurdles on the Road to Retirement

When friends and loved ones finally raise their glasses to bid you a long and healthy retirement, you do not want to be worrying about how your bills will get paid. That is why it is so important to participate in your company's retirement plan now.

On the road to retirement, however, other financial challenges are likely to crop up -- such as medical or financial emergencies or care of a loved one -- which might tempt you to lower your plan contributions or stop them entirely to free up necessary cash. But doing so could be a costly mistake.

Here are a few steps you can take now to help overcome these hurdles as they arise and make sure that your retirement savings strategy continues uninterrupted.

1. Maintain an Emergency Account

Financial planners often offer the following rule of thumb: Have three to six months' worth of living expenses set aside in a bank savings account to cover emergencies. An emergency account can help you in case of job loss, and it also can help you pay for unexpected household needs such as a new hot water heater or car radiator.

2. Plan Your Long-Term Care Strategy

Healthy, active, and independent -- these are adjectives you might use to describe yourself and your family members. But someday you may need to depend on someone else for care, or someone may unexpectedly need to depend on you.

Medicare offers limited coverage in such cases, and state-provided Medicaid kicks in only if you meet certain asset and income requirements, which vary by state. People who qualify for Medicaid generally live near the poverty level.

One way to protect your assets during a health-related crisis is by purchasing long-term care insurance, which covers costs typically not paid by Medicare, such as nursing home care. The policies can be a bit pricey, but in the long run, they may prove worth the expense. A trusted insurance agent can help you investigate long-term care insurance options.

3. Check Life and Disability Insurance Coverage

It is smart to regularly check that you have enough insurance coverage. Your life and disability coverage generally should replace enough of your income so that your family's current and future needs are met - including everyday living expenses, short- and long-term debts, education for your children, and retirement for your spouse.

4. Develop a Budget That Meets All Needs

Last but not least, develop a budget that will meet your needs, including insurance and emergency savings. Start by tracking your spending for one month to see where the money goes. Then develop a

written budget of necessary expenses, which should include debt obligations, mortgage or rent, utilities, insurance, and personal savings. Live on a set allowance each week to make sure you do not spend more than you can afford.

By following these four simple strategies, you may be able to overcome most financial challenges that lie ahead. Most important, these strategies will help you keep your commitment to saving for retirement.

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