$1 Million in Retirement Savings Might Not Be Enough to Retire in Florida

By Michael Berkhahn, CFP®

According to GoBankingRates, Tampa residents who saved $1 million for their retirement likely will run out of money in 18 years, four months, and 7 days on average. Couple that with a recent Charles Schwab Survey which revealed that the average worker believes they need $1.8 million to retire, and we begin to see a stark contrast when comparing that number to the latest Federal Reserve's Survey of Consumer Finances, which reports a median retirement account balance of just $185,000 for Americans aged 55-64.

Inflation has always been a threat to retirement savings, but the effects of higher inflation over the past few years have left countless Americans even further behind in reaching their retirement goals. Although inflation rates have eased since 2022, there are still many lingering financial obstacles. Here are five steps you can take to boost your retirement savings.

1. **Evaluate Your Budget:** A deep dive of spending habits may reveal opportunities to cut back. For example, a survey by C+R Research reports that 42% of consumers pay for forgotten or unused monthly subscriptions. Simply by eliminating unnecessary expenses can help redirect funds toward your retirement savings.
2. **Pay Down High-Interest Debt**: With the numerous rate hikes by the Federal Reserve, interest rates on debts have surged. If you have variable or high-interest debt, develop a strategic repayment plan. Eliminating high-interest debts not only reduces financial strain but also frees up more money for retirement savings.
3. **Contribute More to Tax-Advantaged Retirement Plans:** For those aged 50 and older, catch-up contributions to retirement accounts can "significantly" enhance savings. In 2024, catch-up contributions for 401(k), 403(b), and most 457 plans amount to $7,500, while the limit for additional contributions to IRAs remains at $1,000.
4. **Re-Evaluate Insurance Policies**: According to the Insurance Information Institute, Florida homeowner's insurance has increased 102% in the last three years and the cost of full coverage car insurance is 55% higher than the national average.
5. **Consider Working Longer:** While working beyond the initially planned retirement age may not be ideal, it is a practical consideration for securing your financial future. Delaying retirement results in increased social security benefits, additional contributions to retirement accounts, and one less year of drawing from retirement funds.

The next important step is determining how you withdraw your retirement savings once retired, which is often dependent on current market performance. Being strategic with your withdrawal methods is key to extending your retirement funds and maintaining your quality of life.

When pursuing a financially secure retirement, there is no one-size-fits-all solution. However, by combining these tips with a comprehensive financial plan, you can significantly improve your chances of enjoying a stress-free retirement. The key lies in proactive financial management, continuous reassessment, and strategic decision-making to navigate the ever-changing economic landscape.

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