Expenses That Drain Your Retirement Account

As you're planning for retirement, it's important to anticipate some of the costs that could eat into your savings. Expenses arise but with some anticipation and a plan, the result may not be as bad as one may think. A diversified portfolio, long term outlook and with guidance from us here at Saratoga Financial Services, we will help prepare you for the expenses that accrue during retirement.

Here are 8 expenses that can drain your retirement savings:

Early withdrawals: If you withdraw money from your retirement accounts before age 59 1/2, you may have to pay a 10% penalty tax.

Healthcare: The cost of long-term care, prescriptions, procedures and specialty office visits.

Homeownership: According to the Bureau of Labor Statistics, from 2016 through 2020, Americans aged 65 and older spent an average of $16,880 per year on housing-related costs.

Inflation: Due to higher prices for goods and services, you may dip into your retirement savings to make up for the higher cost of living.

Longevity: When retirement planning, adding an additional few years to what you think your lifespan will be would be helpful so you don't outlive your savings.

Life style: Live within your means and take care of yourself before you help take care of others. This could also include your retirement travel plans, hobbies and interests.

Market turndown: The market is volatile and your accounts could see a loss of value during a market turndown but pulling out of the market could have a worse result than if you were to ride out the waves and potentially miss the turnaround.

Taxes: You will still have to pay taxes on some of your retirement income, such as withdrawals from traditional 401(k)s and IRAs.