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The Top 3 Senior Regrets and How to Avoid Them

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What are your biggest regrets in life? Do you wish you could go back and change some things? Well unless you have a time machine, you won't have that opportunity but you do have the opportunity to prevent future regrets. Here are the top 3 steps Americans age 60 and older said they most regretted not taking to prepare for their senior years according to a new study by USA Today, along with some ways you can avoid making the same mistakes:

1) 45% wish they had saved more money.

Financial planners typically urge us to save more and it looks like our future selves will agree. In fact, this may be even more true of future generations who may not be able to rely on the same level of pension benefits, Social Security and Medicare payments, and investment returns as previous generations. If today's seniors feel they haven't saved enough, you ain't seen nothing yet.

So how much should we save to avoid regret later? Everyone's number is different and depends on variables like how much income you'll need in retirement, what you're getting from Social Security and any pensions you're fortunate enough to have, how much you've saved so far, and how you invest. To estimate yours, you can use our calculator here.

Once you know how much to save, the surest way to make sure we're saving for retirement is to prioritize it by setting it aside before we even have a chance to spend it. One of the advantages of employer-sponsored plans is that they do this for us and deduct the savings right out of our paychecks. You can also set up an automatic periodic transfer from your checking account to a separate savings or investment account.

If you can't afford to save enough right now, try slowly increasing your savings rate over time. You probably won't notice much of a difference but you'll eventually be saving more than you ever thought you could afford. See if your employer's retirement plan has a contribution rate escalator feature that does this automatically for you for free or you can make a note on your calendar to bump up your savings rate a little bit each year.

2) 36% wished they had taken better care of their health.

If our financial planners are telling us to save more, our doctors are telling us to eat better, start exercising, and get more rest and relaxation. But financial and physical health are actually more connected than they may seem. Obviously, the better health we are in today, the less we will need to spend on care, include the Fidelity estimate of $240k for retirement health care costs.

But it works the other way too. One of the biggest causes of illness is stress and financial stress has been called the #1 cause of stress-related illnesses. People with high levels of financial stress have reported more migraines/headaches, insomnia, high blood pressure, stomach ulcers, muscle tension/back pain, severe anxiety, and severe depression than those with low levels of financial stress.

So what can you do? First, be honest about your financial difficulties and tackle them head on rather than letting them fester. If you have debt collectors calling, stop ignoring them and take steps to deal with them. That could mean looking for ways to save money to put towards your debt, negotiating an affordable payment plan with your creditors, working with a reputable credit counseling agency, or even filing for bankruptcy protection. No matter which of these steps you take, you're likely to feel better than letting the problem linger.

3) 31% wish they had made better investments.

Not saving enough isn't the only reason for retirement shortfalls and debt isn't the only cause of financial stress. Not understanding your investments can also be a culprit with both. The good news is that investing isn't as complex as it appears. The "secret" is to simply make sure you're properly diversified, keep your costs as low as possible, and stick with your plan through the ups and downs of the market. In fact, legendary investor Warren Buffett's instructions for investing his estate for his heirs consisted of just keeping 10% in short term government bonds and the other 90% in a low cost S&P 500 index fund.

The first step is to determine how much you should invest in major investment classes such as stocks, bonds, and cash. The right mix depends on how long you intend to keep the money invested and how much risk you're comfortable with. You can see some sample portfolios here.

Next, make sure you're diversified within each asset class. The easiest way to do that is with mutual funds or ETFs. So which funds should you choose for each category? Studies show to ignore past performance since it tends to be random and doesn't repeat and instead look for low costs, which even Morningstar has admitted is a better indicator of future performance than its own star rating system.

The lowest cost funds tend to be index funds since they simply track a portion of the market rather than hire expensive money managers and research analysts to beat it. As a result, they usually do better than the more expensive actively managed funds over time. If you don't have an index fund available for a particular category (say in your employer's retirement plan), look for the fund with the lowest expense ratio since that's the fee the fund charges each year.

Finally, you'll want to keep your investments on track by making your portfolio more conservative as you get closer to your goal and re-balancing your mix if it gets out of whack. For example, if your target is 60% stocks and 40% bonds and stocks do really well, your mix may end up being 70% stocks and 30% bonds. That's too aggressive so you would sell enough stocks and buy enough bonds to shift it back to 60/40. If stocks take a downturn and end up being only 50% of your portfolio, you'd do the opposite and move money from bonds to stocks to bring them back up to 60%.

This strategy makes you buy stocks low and sell them high without trying to time the market. Your employer's retirement plan may make this even easier if it has an automatic re-balance feature that does this for you, typically every quarter. If not, it only takes a few minutes at least once a year to do it yourself.

If you don't want to do any of this yourself, there are one-stop asset allocation funds like target date funds that are fully diversified and adjust the investment mix to become more conservative as you get closer to the target date. The downside is that many of them charge high fees. Look for ones with low fees from providers like Fidelity and Vanguard.

If you want more personalized advice, there are also low cost online advice providers like Financial Engines (available through many employer sponsored retirement plans), FutureAdvisor, and Jemstep that can give you specific investment recommendations to build a diversified portfolio of low cost investments and re-balance them periodically. You can generally get the advice for free but be aware that there's a fee if you sign up for ongoing portfolio management.

Finally, you may be more comfortable hiring an investment adviser, especially if you want more comprehensive financial planning advice. The problem is that there's a wide variety of quality out there. Look for someone with professional designations like the CFP(R), ChFC, or PFS and who doesn't make money by selling expensive investment products for a commission or charging high asset management fees. In particular, consider independent advisers affiliated with the Garrett Planning Network or the Alliance of Comprehensive Planners. The former charge hourly fees while the latter tend to charge an annual retainer.

What will you regret in your senior years? Don't let it be something on this list. While it would be nice to have a time machine, taking steps now to avoid regret later is the next best thing.

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