Retire Your Debts Before You Retire
(Published in a daily newspaper under the name of a Certified Financial Planner)

One item you do not want to take with you into retirement is debt. It's hard to think of a life circumstance more calculated to destroy your retirement planning and eat away at your financial security.

Think about the date of your retirement as a clear demarcation point between two life stages of personal finance: accumulation and distribution.

Before you retire you are in the accumulation stage, earning money through income and investments and putting aside enough for a secure retirement. After you retire you must start distributing the assets that you have built up: Your savings must now replace employment income by producing investment income.

Entering the distribution phase is worrisome enough – you no longer have a paycheck coming in, and you may need income from your nest egg for three decades or more. If you are still in debt, the need to pay it down will chip away at your assets.

Among American families headed by someone 55 or older, 65.4 percent carried debt in 2013, according to a recent survey by the Employee Benefit Research Institute. That was up from 63.4 percent in 2010, mostly due to higher housing debt. But the more troublesome comparison is with 1992, when just 53.8 percent carried debt.

In addition, 9.2 percent of those 55-and-above families in 2013 had debt payments exceeding 40 percent of their income. On the positive side, the average total debt per household in the age group dropped from $80,465 in 2010 to $73,211 in 2013.

Since the average retirement age is 62, some of these heads of household are still earning income, of course, so let's break the percentages down by age group:

- Among families with heads of household between 55 and 64 years of age, 78.5 percent carried debt in 2013.
- Among the 65-to-74 age group, 66.4 percent carried debt.
- Among the 75-and-above age group, 41.3 percent carried debt.

You can see the rate of debt drops sharply with age, but notice that a majority of families with heads of household between 55 and 74 years of age owe money. That is a tremendous obstacle to achieving financial security just before and after retirement.

Reducing or eliminating debt should be a fundamental goal of retirement planning. However, avoid being too aggressive by withdrawing large amounts from your accounts to pay off your debts. Instead, enlist a financial advisor to help you do some financial planning designed to pay down debt while preserving your assets.