

5 Costly Retirement Mistakes to Avoid in 2026

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Retirement should be a time to enjoy the life you've worked hard to build, but getting there successfully often comes down to avoiding a few common and costly mistakes. Over the years, I've seen many hardworking people make financial decisions with the best intentions, only to realize later those choices created unnecessary stress, taxes, or income gaps.

The good news is that many retirement mistakes can be avoided with thoughtful planning. As we move through 2026, changing markets, rising healthcare costs, and evolving tax rules make it more important than ever to stay proactive.

Here are five costly retirement mistakes I encourage people to avoid this year.

1. Claiming Social Security Too Early Without a Strategy

One of the biggest retirement decisions you'll make is when to begin claiming Social Security benefits. While you can start as early as age 62, doing so may permanently reduce your monthly benefit amount.

I often remind clients that Social Security is more than just a government benefit, it can be an important source of guaranteed income for life. Claiming early may make sense in some situations, but many people file simply because they can, without considering the long-term impact.

Your claiming decision should be based on factors such as:

- Your health
- Whether you're still working
- Marital benefits

- Other retirement income sources
- Tax considerations

A thoughtful claiming strategy can make a meaningful difference over the course of retirement.

2. Ignoring Required Minimum Distribution (RMD) Planning

Many retirees are surprised to learn that retirement accounts like traditional IRAs and 401(k)s eventually come with required withdrawals. These Required Minimum Distributions, or RMDs, can increase taxable income and potentially affect Medicare premiums.

I've seen people wait until the last minute, only to discover their required withdrawal pushed them into a higher tax bracket or created avoidable headaches.

The best time to plan for RMDs is before they begin. Depending on your situation, strategies such as Roth conversions, charitable giving, or structured withdrawals earlier in retirement may help reduce future tax burdens. ([Read our Article on Charitable Giving here](#))

Waiting until the first RMD notice arrives often limits your options. Planning ahead creates flexibility.

3. Underestimating Healthcare and Medicare Costs

Many people entering retirement assume healthcare expenses will be minimal once they enroll in Medicare. Unfortunately, that's not always the case.

Medicare premiums, supplemental coverage, prescription costs, dental care, vision care, and long-term care needs can add up quickly. In addition, higher-income retirees may face IRMAA surcharges that increase Medicare premiums. ([Read our Article on IRMAA here](#))

I always encourage retirees to build healthcare costs into their retirement income plan rather than treating them as an afterthought.

A strong retirement plan should account for:

- Monthly Medicare premiums
- Out-of-pocket medical expenses
- Prescription drug costs
- Inflation in healthcare spending
- Potential long-term care needs

Healthcare may be one of the largest expenses in retirement, so it deserves serious attention.

4. Taking Too Much Risk, or Not Enough Risk

Market risk doesn't disappear in retirement, it simply changes. During your working years, market downturns may feel temporary because you still have time to recover. In retirement, withdrawals during a down market can create lasting damage.

At the same time, becoming too conservative can also be a mistake. Keeping too much in cash may feel safe, but inflation can quietly erode purchasing power over time.

I often tell clients retirement investing is about balance, not extremes.

Your portfolio should reflect:

- Income needs
- Time horizon
- Risk tolerance
- Legacy goals
- Need for growth to combat inflation

The right strategy often involves a mix of growth assets, income-producing investments, and reserves for short-term spending needs.

5. Failing to Build a Tax-Efficient Withdrawal Plan

Many people focus on saving for retirement but give little thought to how they'll withdraw money once retirement begins. That can be expensive.

Taking withdrawals from the wrong accounts at the wrong time may create higher taxes, increase Social Security taxation, or trigger higher Medicare premiums.

For example, drawing only from tax-deferred accounts like traditional IRAs may cause taxable income to spike. In other cases, blending withdrawals from taxable, tax-deferred, and tax-free accounts may offer more flexibility.

This is one of the most overlooked parts of retirement planning, yet it can have a major impact on how long your money lasts.

I believe retirement income planning isn't just about generating cash flow, it's about keeping more of what you've earned.

Final Thoughts

Retirement mistakes are often preventable when you plan ahead. Claiming Social Security too soon, ignoring future taxes, underestimating healthcare costs, taking the wrong investment approach, or withdrawing funds inefficiently can all create unnecessary challenges.

The good news is you don't need to navigate these decisions alone.

I believe the best retirement plans are proactive, personalized, and built to adapt as life changes. If you're approaching retirement or already retired, now is a great time to review your strategy and make sure avoidable mistakes don't stand in the way of the future you envision.

After all, retirement should be about confidence and freedom so you can keep living life with an upside.

– Tom Moore | Moore Invested

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Our mailing address is:

2 Ravinia Drive, NE Suite 1705
Atlanta, GA 30319
(404) 905-2290