I Want to Retire in Five Years, but I Have $150,000 in Debt

More than half of American workers say they're behind on their retirement savings, and 46% expect to retire with debt. Stefanie interviews Joe Saul-Sehy, personal finance expert and author, about how we can prepare our finances and our lifestyles for this retirement reality.

"Cecilia": We have plans to retire within the next five years. That would be great except that we have credit card bills that amount to close to $40,000. And we have student loans of about $120,000.

Stefanie O'Connell Rodriguez: This is Money Confidential, a podcast from Real Simple about our money stories, struggles and secrets. I'm your host, Stefanie O'Connell Rodriguez, and this week we're talking to a 60-year-old listener from New Jersey who we're calling Cecilia, not her real name. Cecilia has spent her career working in the beauty industry and is hoping to retire within the next 5 years.

"Cecilia": To be able to work in this industry has just been incredible for me. That being said, I'm at the tail end of my career. I'm not looking to continue to climb the corporate ladder. So in terms of salary and income, I'm in a comfortable place, but not aggressively looking to grow that. And for that matter, I probably will continue to work a maximum of five more years.

Stefanie O'Connell Rodriguez: It's estimated that some 10,000 people per day will turn 65 through the year 2030. But many Americans are retiring later, with Baby Boomers now reporting an average expected retirement age of 68, according to a recent survey.

What do you want life to look like when you anticipate exiting out of this role?

"Cecilia": Just looking for my husband and I to live comfortably. We are comfortable now, but we have a fair amount of student loan debt and we have credit card debt that I would like to minimize as much as possible before we get to that point in our lives.

Stefanie O'Connell Rodriguez: A 2021 Bankrate survey found that 56 percent of Baby Boomers felt behind on their retirement savings. And in 2017, the Consumer Financial Protection Bureau reported that Americans over the age of 60 were the fastest-growing age segment of the student loan market, with around 2.8 million adults over the age of 60 carrying student loan debt.

“Cecilia”: We live in the New York Metro area and it's expensive to live here. But we do love it. So we would like to be able to stay here, be able to afford just simple luxuries. We are not, and probably will not, be that couple that plans to travel around the world and spend lavishly. I just want to know that we can continue to live comfortably and minimize as much debt as possible.

Stefanie O'Connell Rodriguez: It sounds like your vision for retirement is really a lot about maintaining your current lifestyle as opposed to really changing much about your current lifestyle.

“Cecilia”: I think that is exactly it. To maintain the level of comfort that we have now would be ideal.

Stefanie O'Connell Rodriguez: While Cecilia and her husband have over six figures of debt, they do own their home outright and estimate it's worth around $480,000.

I'm wondering if you've spent any time running calculations on, if this is our cost of living to maintain our current lifestyle, how long we can sustain that?

“Cecilia”: The answer to that is a quick, simple no. Because it's scary to think about that. My husband is semi-retired, so his annual income doesn't compare to mine. Once I stop working, what we bring in will be probably 75% less than what it is right now.

What we bring in now, it covers our bills and leaves a little bit left. And when I say little, I mean little, to go out to dinner or pick up some extra things, that sort of thing. There's not a lot of excess. So if I did the calculations, I'd be really scared.

To know that answer might change me from saying I'm going to work for five more years to saying maybe I'm going to work for three more years. Or maybe I'm going to work for 10 more years.

Stefanie O'Connell Rodriguez: And that's the other piece I wanted to ask you was, do you envision work in your life in any capacity? Is that something that interests you beyond traditional retirement age?

“Cecilia”: Yes. I love working. I think that's one of the reasons why I haven't done any calculations and really thought more about it. So when I leave my current full-time corporate role, I plan to do something, whether it be being a dog walker or working for Amazon, like there will be something that I will do. It will just involve less stress.

We are just fortunate that we've gotten this far without any planning.

I've never really sat down and said, here's where we want to be. Here's where we are. This is what we need to do to get there. Although we probably should or should have done that sooner because we're sitting on a fair amount of credit card debt. And the only thing that is letting me sleep at night right now is the fact that student loans are on pause.

We no longer have a mortgage and that is a positive. And the equity in our home is enough to say if we sold our home we could be comfortable. But then maybe not, who knows? We would have to live somewhere.

Stefanie O'Connell Rodriguez: This is the thing about money; you actually know exactly what to do. You actually do know that you should sit down, you should figure out where you are, where you want to be, and then you'll have more clarity around what to do next. So it's really about, what's standing in the way of that?

“Cecilia”: Yeah. It's the fear of the unknown. Like, it's the fear of sitting down and looking at it and then going, “Oh my God, it's worse than I thought it was.”

Stefanie O'Connell Rodriguez: Tell me more about how you've approached the student loans and the credit card debt thus far.

“Cecilia”: So with the elimination of our mortgage a few years ago, the plan was to really start paying into the student loans. But then COVID came along and the student loans were put on pause. And so I put the focus on paying down more of the credit card debt. And my strategy there has been to focus on the smaller balances. And I've had success doing that over the last couple of years. But there are still credit cards that have decent balances and pretty significant interest rates that need to be brought down.

And when the student loans filter back into our monthly expenses, I'm going to have to maybe just say once and for all, bite the bullet, pay off the credit cards using some of the savings that we have, because I know the interest rates are much higher than I'm ever going to earn with money in a bank. And it's time to just probably take that money, pay down the credit cards, and then just focus on the student loans.

Stefanie O'Connell Rodriguez: Can you tell me more about the assets?

“Cecilia”: We have a savings account where we will put money into. It can be anywhere from $10,000 to $20,000 at any given moment.

We also have our 401(k)s and they're not huge. If we had to rely on those, we would be in trouble. We have some additional CDs and things like that. As I say this, I'm probably going to sound like I'm not in terrible shape, but I still think about this constantly. And they're probably close to $300,000, but it's money put away for the future because our 401(k)s are not strong enough to sustain us in retirement.

Stefanie O'Connell Rodriguez: You mentioned as you were listing out your assets, "I think about this constantly." What does that look like?

“Cecilia”: We just turned 60, my husband and I. So if we're lucky we have another 20 years-plus left. So when I think about 20 years and how much you need over time, and it could be 15, it could be 30 years, you don't know, but I want to make sure that we are never dependent on our children to have to take care of us.

Stefanie O'Connell Rodriguez: I wonder how you would feel to have no credit card debt?

“Cecilia”: I don't know if I've ever, since my early twenties, been credit card debt-free. I feel like I've always had some sort of a balance. If I knew that I only had to look at the electric and the gas bill and the water bill and that was it, and I didn't have to worry about all the other credit card bills, I don't even know what I would do.

Stefanie O'Connell Rodriguez: I do wonder if some of this is also replacing the credit card bill with a 401(k) bill to yourself.

“Cecilia”: I mean, that's absolutely something to think about. It will be nice to see what is left in our monthly checking account, because then I can have a better idea of what to increase the 401(k)s to. We have a little bit left over every month but I wouldn't feel comfortable taking that little bit right now and putting that into 401(k)s, because we don't know what can happen on any given day. But once I have a clear picture of that, I may realize, “Okay, I need up to $2,000 for the student loans, but I will have an extra thousand perhaps and we should start putting that into the 401(k)s.”

You have given me clarity that sort of wakes me up at three o'clock in the morning and says, “Okay, you could do this and that would get rid of that.” And it makes sense at three o'clock in the morning, and then during the day when you run through, whether it's working or taking care of the home or whatever it is that is going on, you kind of push it to the back of your brain, and to say it out loud and talk it through with you just makes it sound so rational.

And the closer you get to it, the more paralyzing it becomes because it's so close, you can touch it and then you start to really think, how will my life change? What will I be able to do? Will I be eating cat food?

Stefanie O'Connell Rodriguez: Given the number of unknowns, the realities of outstanding debt and the compelling fear of running out of money, it’s totally understandable to feel anxious about approaching retirement. Left unchecked, that anxiety can spiral into imagining worst-case-scenarios and fixating on those fears, rather than turning your attention to what you *can* control. So after the break, we’ll be back with personal finance expert and author Joe Saul-Sehy, to talk about the concrete steps you can take to set yourself up for financial security as you approach your retirement years - wherever your finances stand today.

[AD BREAK]

Joe Saul-Sehy: I was a money disaster.

Stefanie O'Connell Rodriguez:: That's Joe Saul-Sehy, co-author of the new book, *Stacked: Your Super-serious Guide to Modern Money Management*, and the host of the Stacking Benjamins podcast.

Joe Saul-Sehy: Even when I was a brand-new financial planner, I actually ran out of gas one time on the way home from teaching other people how to manage their money. And this was my turning point, because during this search through this old rusted-out minivan I had, because I couldn't even get a car loan because my credit was so bad. I found 85 cents and I actually walked about a mile. Sounds like an old-guy story.

Stefanie O'Connell Rodriguez:: Backwards and in snow.

Joe Saul-Sehy: In snow, right. No shoes, yeah. With a 30-mile-an-hour wind. Yeah, none of that. But I got to the gas station and the guy didn't want to give me the gas can because he thought I was going to steal it. And it was in this moment that, like a lot of people, I cried about my money situation and I realized I needed to forget about creditors, I need to forget about how screwed I was, I need to forget about the huge piles of debt that I had, and I needed to handle what I could. You know what happened, at that point when I took control? Now it was no longer about creditors, it was about me. It was about my priorities. About what I could do. And I could only do so much. And it was okay.

I was going to do what I was going to do and I wasn't going to be able to get to everybody. And when creditors called me on the phone. “Hey, you're going to get what you can get. I'll get there.”

And you know what's funny? When I took that approach that it was no longer about them, and it was no longer about paying all these people off, it was about what was important for my values, I got out of debt a lot faster than I thought that I would have.

You're in a much happier place when you say, “I can't do anything about the past.” They talk about the best time to plant a tree was 20 years ago. We can't do that. Best time to plant a tree, then, is today, right? So focus on what you can control and forget about what you can't.

Stefanie O'Connell Rodriguez:: What does that look like in tangible terms?

Joe Saul-Sehy: Well, I think for her specifically, and I think this is for a lot of people who are in this same situation, you want to think about the big moves. I think the biggest moves for her will involve either housing, transportation or food. And by the way, that's for all of us. Those are our three biggest expenses. Your urge might be to maybe start clipping coupons or try to put a little bit away. She's going to have to make some big, big, big decisions I think to get there. Which is why I think it's also going to be important to breathe. Because if we just take that first one, housing, she says that most of her equity and most of her retirement is wrapped up in her house. So the quickest way, but also the most emotionally difficult way to pay off this debt would be to change your housing situation to something that might be more affordable. And also that can wipe out that debt in a hurry.

But I'll tell you the problem I have with that, the biggest problem is, if she's used to using credit cards on a daily basis and she hasn't changed that habit, if she sells her house, buys a more affordable house, and still uses credit cards, she might end up with a house that she likes less and credit card debt in the future. So I think for that reason, we probably have to get the budget in order first.

I think what you need to focus on is, what do I value most? Do I value the house more or do I value five-years-until-retirement more? And maybe it's not keeping the same job, maybe it's just having income and a job that makes enough to pay the bills and brings in just some income, because she loves the house and wants to keep that.

But that also brings up those other two things, which is, let's say she doesn't want to sell the house. Maybe they have two cars and they can rethink their transportation cost, because remember transportation's number two. So if the house is off limits, then we go to transportation. And third, of course, with food, if there's a way to decrease the food bill by either eating at home more often or cooking meals that are less expensive, or maybe it's a combination of the three.

In fact, with housing, I know one person I spoke with just recently, who remodeled their garage and brought in a renter and actually had somebody that lived with them. There's a lot of different ways to think about that, but I think that's the way that we need to think here is housing, transportation, food, and then what are my income sources going to be? And are there ways maybe I can make more money in the next five years?

Stefanie O'Connell Rodriguez:: I also like the examples you're bringing up here, because it's just a little bit more creative than it's “this” or “that.” And I think a lot of retirement planning in general, especially these days, people living in retirement for 30-plus years. I think it requires a little bit more creativity than the way we've traditionally thought about it.

Joe Saul-Sehy: I remember, to your point, working with a woman who really wanted a house along Lake Michigan. And there was no way she was going to be able to afford it, but instead, thinking creatively, we looked at an area where there was a beautiful house on the other side of the street from the lake where properties cost a lot less money. The cool thing is the way that property was zoned, she was able to turn it into a bed-and-breakfast. And so she had income coming in. She was a very sociable person. She loved being around people. She loved being the hotelier. So by being creative, she woke up every morning, she was on a hill, she could still see Lake Michigan, she was able to get the goal. I think your point is fantastic. I think if we stop thinking about “this” or “that” and think about the power of "and" or fusing things together, she might be able to get where she wants to go.

Stefanie O'Connell Rodriguez:: I know everybody comes to their idea of retirement with a different lens. Some people are like, “I really just don't want to work anymore,” but some people are like, “Oh, I don't necessarily want to work in this capacity anymore, but I would like to continue to work.” And so I think having more income sources and being open to that is going to free up a little bit more choice. That said, you know there's no guarantees that our bodies and our minds are going to continue to operate in the same way.

Joe Saul-Sehy: I think that's why it's going to be important for her to not focus on just paying down the debt. I think she also needs to start saving right now, because something might come up that the debt reappears, but she's still going to need that emergency fund. She's still going to need that money in savings. Because savings equals flexibility. And she's going to need that flexible plan as she moves forward. I think it's going to be so important.

So no matter what she chooses in terms of her housing situation, in terms of her money coming in, I think that starting to save some money now, while she is working on the debt-payoff strategy is a better one-two punch than just paying off the debt first and then saving.

Stefanie O'Connell Rodriguez:: I also want to talk about the other headline story of 2022 financially, which is inflation. What is the implication of inflation for somebody who is trying to set up their life, basically without income, for decades?

Joe Saul-Sehy: Oh, that's a great question. I think that the two things about inflation are this, number one, if you're not earning eight and a half percent more money this year than you were last year, you're falling behind. Which means it's the time, whether you're five years away from retirement or 20 years away from retirement, it's time to ask your boss for a raise. And now you're still going to have to talk about what you bring to the table, the skills that you have, and how you help the company. Don't make it about you; make it about the company. But you need a raise. You need more money.

I think also when we talk about safety and investments, I think “safety” is a loaded word because we think that a savings account is safe. And right now savings accounts are still paying, in many cases, less than 1%. And if inflation is at eight and a half percent, we're losing money very “safely.” We're very “safely” falling behind with our cash. So that means that we need to learn about investments that historically have beaten inflation on a fairly consistent basis. And if you have 10 years or more, we're looking at the stock market and real estate-based investments historically, keep up with or beat inflation over time. That's actually where the safety is, even though we hear in the media all the time, the stock market's a rollercoaster, right? It either plummets or it soars. On a longer-term basis, we need to be in those drivers that are actually creating inflation. It is companies raising prices that are creating inflation. So buying stocks in those companies is the number one way to beat or at least equal inflation.

Stefanie O'Connell Rodriguez:: It's one thing to ideate, but until you kind of run the numbers and see what that means in dollars and cents and how that actually aligns with your actual projected cost of living plus the inflation, it's just really hard to know.

Joe Saul-Sehy: I think it's actually a two-step process. I think that you have to become comfortable with money conversations first and make it so that it's not this chore that most of us find that it is. If you're married or you're single, I think you need to have a date, either with yourself or with your spouse, with your partner, with whoever's on your team. And I like that date to be once a week. And the reason I like it frequently is because if you have a date once a week that is fun about money, and it's not very long, you're going to have the bigger, more organic conversations that are super-important, between those meetings. But if you make it once a month or once a year, once every six months, you're not going to have those organic conversations.

So here's what Cheryl and I do. We have a meeting that is 20 minutes, and we set a timer. At the end of 20 minutes that meeting's over no matter what. So we know it's going to be short, which makes it more fun. The second thing is, it's not a heavy-duty meeting. We only do two things. Number one, we look at how we spent money the week before. So with yourself or with anybody that you're planning with, just go back through your bank register, your credit card register and see exactly, how much money did I spend and where did I spend it? And by the way, I'm not even talking about writing any of this down yet. I'm not talking about calculators, writing it down, just look at all these expenses. And it was amazing, when we started doing this, how many expenses we identified that weren't really important to us. We cut our cable bill back, we cut our cell phone bills back. We found mistakes in our utility bill. We had questions. And by the way, none of these mistakes were ever in our favor. They were always in their favor, not in ours. So we found those things, but even more important, we were just chatting. When I'd work with single clients, for them, it was just having these thoughts, looking through and having these thoughts about their money.

And then the second thing to do is, not even look long-term, just look at the next week. How am I going to spend money the next week? Do I have any big things coming up? Do I have days of the week that I know that I'm going to go out to dinner? What's my budget going to be for that? And just talk yourself through it. And by the way, to make it even more fun, depending on the time of day, we have that over wine or pancakes, or if it's in the middle of the day, we have both, which, both is better than either-or.

Stefanie O'Connell Rodriguez:: I don't know about that combo, Joe; the wine-pancake combo might be a little bizarre for me. Maybe some, like, spiked hot chocolate.

Joe Saul-Sehy: There you go. Substitute what does it for you and make that fun. Because in a lot of relationships it can get judgy. It can get, you know, “You did this.” We don't want to go there. We just want to casually look through this stuff.

Stefanie O'Connell Rodriguez: Can you break down how you got to a place of it becoming something that you could talk about, especially in partnership with your wife?

Joe Saul-Sehy: It was very uncomfortable. We had twins, a family of four. My practice was brand-new, so I wasn't making a lot of money. Cheryl wasn't making much money. And we weren't on the same page financially. We would have these money fights. And for us, we realized the only way out of the money fight wasn't to retreat to our corners, it was that we needed to talk more. And that's where the 20 minutes-a-week check came from, was we thought it was the only way away from being at each other's throat. And it truly worked.

Something that I used to do when I was a financial planner was have people visualize their goals on a timeline. And you draw yourself on a piece of paper. On the left is a stick figure, then you draw out this line to the right and you start visualizing all the big things that you want to do - where you're going to go on vacation, what you're going to do. And we actually then look at what each of those individual things cost. And it's way, way more fun to save for this picture than it is to save for this retirement nebulous thing.

I hear a lot of people say that when you're in your twenties, retirement’s so far away, you can't visualize it. I think that's kind of a cop-out. I think you actually can visualize some big-picture things. Fully realizing it's going to change. But I think even in your twenties, it's so much easier to put money in a 401(k), which seems so foreign for, like, this person you might never become. But if I visualize, hey, this is for this lifestyle I want to have later, then I'm going to start socking money away. I find that super-exciting.

Saving for retirement means starting off with when you're going to spend the money and actually looking backward, because I'll tell you where a lot of people get tripped up, and that is that you start off with this big, huge universe of investments and who could learn about all those investments?

Like, I can't learn about all those investments and I've been in this game for a long, long time. There's no way you're going to know everything about everything, so the best way to know where to put your money is to start off with when you think you're going to need the money and then work backward.

I grew up in west Michigan, which was farm country, so I like farm analogies, but they plant corn in the spring in farm country because of the fact that they know that works, thousands of years have proven that planning at that time works. And then they don't, halfway through the summer, before the corn's ready, they don't take it out and plant it in a different field. They leave it there for that timeframe. And then they harvest it in the fall because they know that that's when the corn is ready. So I love this idea of a growing season with our money.

So if I'm in my twenties and I don't think I'm going to touch this money until my fifties or sixties, well, now I know I have 30 years until I need that money. Then I just go to investments that historically have done really well over 30 years. What does that look like? The stock market and its many iterations is a great way. Rather than try to pick individual stocks or companies that win, a much better way to get started is buying, like, the total market index. Just own a little bit of everything.

You can make it sexy and exciting later if you want, but just start off by keeping it simple by just buying the index, which means you own a little bit of either all the big companies, if you buy the S&P 500, or the total market index, you'll own big companies, small companies, multinational companies, you'll own a little bit of everything. I like starting there.

Another thing is real estate. And people think, wow, how do I buy a house? Well, you don't have to. There's a thing called a REIT, which is a real estate investment trust. And this is a lot like a mutual fund for housing. You buy into this REIT and then they actually manage the housing and all you do is own a diversified collection of real estate. All the big fund families have them. Stick with indexes I think, and stick with broad markets, and I think you're going to get where you want to go.

Stefanie O'Connell Rodriguez: So I'm going to flip this question to the other side, let's say I am 65 or 59-and-a-half, and I'm looking at starting to potentially come up with a strategy for drawing down some of my investments so that I can live off this income. How do I begin to create a plan around that?

Joe Saul-Sehy: Yeah, this is the other side of that stick, right? You put money in an investment, which is one side of the stick. There's the other side, how do I take it out? And this one involves a few things. First of all, you need to know where your streams of income are coming from and how reliable are they? So if you have a pension or if you have social security, it's going to be very important to know how social security works.

As an example, a lot of people don't know that if you delay your social security until later, it grows at a really nice rate on its own. Your income stream can be bigger if you wait till 70 versus taking it at 62, 63, 64, whatever the age is that you're going to take it. But is that right for you? I don't know, because it depends on how much money you saved in other places, it might make more sense to take less money early so that you can let your growing season on your investments go longer.

But clearly it's all based on when you are going to take out your money. So you're going to want to have a bucket of money that's in really safe stuff that you can take out the next few years. And then you're going to want to have some money in kind of a middle bucket, which is safe, but still growing. And this'll be maybe a stock/bond mix-type fund where you have a little bit of safe stuff, but still have some of those things we talked about that beat inflation. Stocks beat inflation, so you may have some of those.

And then, this is where I think a lot of retirees get it wrong, they forget that retirement's a long time. And if I'm retiring at 60, longevity is a big problem. It's a great thing, but it's a problem in financial planning, is that people are living longer and longer. And so, if you think you're going to live into your nineties or maybe to 100, you may have 40 years that you need this money. So don't take all your money and put it in a safe space. Safety is stocks and real estate for long periods of time still.

So for those goals that are 10, 15, 20, 25 years away, you still want to keep some money in that growth spot. So I would think about having three buckets, short-term money, mid-term money and long-term money. And then transfer money into the safer bucket as the dates move on and it gets closer to you needing that cash.

I think the biggest mistake is that we get conservative too soon. In retirement, we're so afraid that we are going to run out of money and that the market's going to go down, that we move everything into a spot that is way, way, way too safe and by safe, I'm meaning it's going to earn a low rate of return.

There's this cool thing called the rule of 72. And the rule of 72 tells you how often your money's going to double based on where it is. So 72 happens to be this mathematical magical number where when you take the interest rate, you think you're going to get, you divide it into 72. It tells you how many years it could take to double.

So let's say that you think your money is going to earn 8%. Every nine years, your money's going to double. So what we really need is another double. And the sad thing I see is, people in retirement, they get too conservative and their money doesn't double that last time, which can make all the difference. I mean if you get to the point that you're sitting on half a million dollars and you're worried that you're not going to make it because you only have half a million dollars, that next double could take you to a million if you leave some money in a growth spot.

Now the counter of that, Stefanie, for young people out there. They're way too conservative, too early. Like why people are conservative with their 401(k) money in their twenties is crazy. And I know we don't like losing money. So hear this correctly. If you have $500 invested, your first $500, and you lose 20%, that hurts. But that's a hundred bucks. And don't get me wrong, I don't want to lose a hundred bucks, but if you're that $500,000 person later on and you lose 20%, that's a hundred thousand dollars you lost. So I think it's more important to, when the market is wiggling, and if the market does go down 20%, to just keep putting money in, shovel money in as fast as you can, that's way more important than the hundred dollars you lost. Because even though you lost the money, you'll make it up with the fact that you're buying more stocks when they're low. When you have $500,000 invested, I think you need to be much more concerned about the risk of your money losing money, but still don't get too conservative because you still need that double.

Stefanie O'Connell Rodriguez: This idea of safety has come up a couple times and I think it's really important to acknowledge just the chronic sense of uncertainty people feel, increasingly so seemingly, between pandemic, war, climate disaster. Does that change anything?

Joe Saul-Sehy: I think it changes for us the urgency to understand how our money's working. So you should listen to the podcast, go to the conferences, read the books, do the things yourself, and then surround yourself with smart people. I think the last nine years, the market's done nothing but go up since the financial crisis in 2007-2008. I mean, we've had a few little blips, but nothing like now, and nothing like all the stuff that's happening in the world today. So I think it's more important than ever that we know what we're doing. And we surround ourselves with smart people who make us even smarter as we learn ourselves.

Stefanie O'Connell Rodriguez: While most of us hope to retire someday, the path to getting there will look different for everyone, and it can be scary to confront the numbers. But ultimately, crafting a retirement plan that works for you starts with understanding the reality of your personal situation, from your assets and your debts to your values and your priorities.

While eliminating high-interest debt, like credit card debt, might be straightforward, when it comes to paying off lower-interest debt like a mortgage and lower-interest rate student loan debt, it’s important to weigh accelerated repayment against the potential growth of additional retirement savings. Because while becoming debt-free, particularly as you approach retirement, can provide a huge sense of relief, if it leaves you with $0 in the bank, you still won’t be ready to retire. In other words, faster debt repayment should not come at the cost of your retirement savings. So once you’ve paid down your high-interest debt, be sure to build a budget that makes room for retirement investment contributions alongside repayment of your lower-interest debt.

And whatever your dream retirement looks like, you can better set yourself up to get there as early as your 20s and 30s, by building your retirement savings in tax-advantaged investment accounts like 401(k)s and IRAs, knowing you can take on more risk because you have decades to weather the ups and downs of the market. As you get closer to retirement age, you’ll want to evaluate how much you’ve saved, take advantage of catch-up contributions when possible and calculate how much that will leave you to live on if you retire at your desired age, making adjustments as needed. Keeping an open mind about what retirement can look like can help you see more options and get creative about designing a life that better aligns with both your values and your budget.

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Come back next week when I'll be speaking with Anne Helen Peterson, the author of the popular “Culture Study” newsletter and the very viral *Vox* article, “The Escalating Costs of Being Single in America.”