3 moves to boost your odds of an early retirement

Let's start with the facts: Most Americans likely will have a hard time retiring on time, let alone early.

For starters, the average retirement account balance for U.S. households ages 50 to 64 is $150,000 — and the median is only $12,000 — according to a report from The New School. Nearly a third of families have no savings at all, the study found.

Even if your nest egg is substantially larger, you'll have to account for living longer. If it's tricky to save for 30 years of income, stashing enough for 40 might seem especially difficult, said Christine Benz, director of personal finance at Morningstar. But that is not to say it can't be done, she said.

The first step in any plan to leave the workforce ahead of schedule must be acknowledging the obstacles you're up against. For one, you cannot count on high market returns, said Benz.

"Bond yields are very low, and the recent rally in equities suggest the decade ahead might not be as good as what we've seen in the past," she said.

So — unless you're on the receiving end of a big inheritance — the most secure way to fund an early retirement might be what's easier said than done: pumping up savings during your working years.

Sound unfeasible for your circumstances? You'd be surprised. These three moves can bring you a big step closer to your early retirement dreams.

Harness opportune moments

In order to retire on time, experts suggest that people in their 20s should be saving at least 10 percent of income each year. Those who hope to retire early should be saving 15 percent at an absolute minimum, said Benz.

And folks who didn't start saving as young adults may need to stash anywhere from 35 percent to 50 percent annually if they realistically expect to retire early. While that might seem like an intimidating hurdle to clear year after year, leaping at chances to accelerate savings during "easy" years can balance out shortfalls during harder ones.

"Saving doesn't tend to be linear," Benz said. "It's hard to save when your kids are young, but that empty-nest phase once they are out of college are great years to make up for lost time."

The time before you have kids and after you secure pay raises are also crucial opportunities for hard-core saving, said Kyle Winkfield, a financial advisor in Washington, D.C.

"If you want to retire at 50, it will certainly help if you figure out how to live on half of your money during the years prior," he said. "Of course, some years there will be interruptions to saving because of big expenses or taxes."

That means that any windfalls you get really must go straight to the bank. If you change jobs, consider the power of negotiating a salary bump: A recent study found that a young person negotiating a salary just $5,000 higher than their starting offer will earn more than $630,000 extra over the course of their career.

Overhaul your narrative

It's natural to go on autopilot when it comes to the daily consumption choices you make about food, transportation and discretionary purchases. Once you get used to even the smallest luxuries, it is hard to let go of the feeling that you "need" to dine out or upgrade your car with frequency.

But one pattern common among those who have more than $1 million saved for retirement — despite earning relatively modest salaries — is how their internal narrative reinforces good habits, said Winkfield. His most successful clients view saving money not as punishment, but rather just as intrinsically satisfying as spending it, he said.

"People who are super savers actually enjoy it," Winkfield said. "They have a saver's mindset and don't just want nice stuff. They always want a nice deal."

These clients view comparison shopping almost like a game and, despite seven-figure account balances, they clip coupons, shop at big-box stores, brown-bag lunch and carpool, he said. In a word, they are self-aware.

"If you ask them, 'How much do you spend on gas each week?' they respond, 'Spring, summer, fall, or winter?'" Winkfield said.

The biggest obstacle you'll face is so-called lifestyle creep, Benz said. Most people who get raises tend to grow into their earnings instead of saving the difference, learning to rely on new extravagances like housekeepers.

Something as simple as spending more time with frugal or lower-earning friends can help give you a reality check, especially if you can see they are just as happy living on less, Benz said.

Offset money you draw down

Realistically, retirement can't be a spending bonanza if you're going to make your cash last decades and decades.

But that doesn't mean you can't have fun. Silvana Clark, a 63-year-old entrepreneur, and her husband have been able to take a huge bite out of their expenses in retirement by renting out their home while traveling.

They were even able to spend four months in Europe last year with zero housing costs by house-sitting after finding a listing on Trustedhousesitters.com.

"We didn't even have to cover utilities," Clark said.

Crucially, even while abroad, Clark and her husband were careful about spending, shopping at local stores rather than eating out at fancy restaurants. The couple make a rule of traveling light, and use the times they rent out their home as opportunities to eliminate junk, selling on Craigslist any belongings that don't fit in their backyard shed. Less stuff means lower storage costs.

Sound like overkill?

As Wade Pfau of The American College has pointed out, traditional ideas about a 4 percent annual draw-down rate might be impossible for most Americans. And if you are going to retire early? Think half that, or less.

http://www.cnbc.com/2016/06/16/retire-early-moves-to-boost-your-odds.html