Don't fall for these seven myths about retirement planning

The bottom line: It pays to analyze your needs and start preparing ASAP

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CHICAGO — No matter how many years you are from calling it quits, it's essential to have some kind of plan in mind for financing retirement.

But it's easy to get fooled by some of the many myths about retirement planning that exist on the Internet or in misguided advice passed along unwittingly by well-meaning family or friends.

Here are some of the most common myths about retirement planning, and the truth behind them.

Myth No. 1: It's OK to postpone saving for retirement until other needs are taken care of.

Don't fall into the trap of thinking it'll be easier to save for retirement in just a few more years. There are competing, expensive needs no matter how old you are. Every year you delay means you'll need to save more in order to get on track.

"The best time to start saving for retirement is when you were 22 years old," says Stuart Ritter, a certified financial planner with T. Rowe Price in Baltimore. "The second-best time is now."

Myth No. 2: Medicare will take care of almost all your health care needs.

Medicare covers about half of all health care costs for those enrolled in the program. For the rest, yes, you're on your own.

That means you'll be on the hook for out-of-pocket costs for uncovered services such as long-term health care as well as dental, hearing and eye care, along with supplemental insurance costs.

A 65-year-old couple retiring this year is estimated to need about $240,000 to cover medical expenses throughout retirement, according to a study of retiree health care costs by Fidelity Investments. Much of that comes in the final years of retirement.

Myth No. 3: You'll need far less income in retirement to maintain the same standard of living.

Because retirement spending habits vary so widely, many financial advisers frown on the traditional rule of thumb that you need 70 percent to 80 percent of your pre-retirement income to maintain your lifestyle.

You may not need 100 percent of your earlier income. But take some time to analyze what you expect to spend in retirement to lessen any anxiety.

Myth No. 4: You can claim Social Security early and still get full benefits later.

Applying for benefits as soon as eligibility begins at age 62 will entitle you to monthly checks immediately. But when you claim early, your benefits will be 25 percent less than if you had waited until your full retirement age and 75 percent to 80 percent less than if you'd been able to hold off until 70.

Claiming early still may be the right move for some people, such as those with serious medical issues or a family history that suggests they're not likely to live to a ripe old age. But with people living longer and retirement sometimes lasting decades, it's best to make deliberate calculations and see whether you can wait longer and collect more.

Myth No. 5: You should rely heavily on bonds rather than stocks as you get older.

That common advice made sense when retirements were shorter and inflation didn't have as much time to erode savings. Planning for a 30-year retirement, as you should do now, changes the thinking. So does the fact that the outlook for Treasury bonds isn't as bright, with the government loaded with debt and future inflation fears high.

Myth No. 6: Any retirement target-date fund will allow you to "set it and forget it."

It's true that target-date funds are an appealing option for 401(k) and other retirement plans. The funds automatically adjust to a more conservative asset mix approaching retirement and the fund's target date. But they can give consumers a false sense of security and lull too many into ignoring their savings, at their peril.

Myth No. 7: You'll be able to make up a savings shortfall by retiring later or working part-time in retirement.

That's a hope or last resort, not a plan. It's unwise to rely on future circumstances for your 60s or beyond.