Six Steps To Debt-Free Retirement

1. Swear off consumer debt. Depending on your income and lifestyle, you may carry consumer debt as you are saving for retirement. Credit card overuse is the easiest way to go into debt. But consumer debt can also come in the form of personal loans or money owed to friends or family. As interest accrues on debt it works against your potential to build wealth. Worse yet, these debts hamper your cash flow, leaving less money to invest each month. Those with debt also require more savings to cover monthly expenses, which could make it necessary to delay your retirement date. Aim to pay off any high interest consumer debt as quickly as possible and swear off your irresponsible credit use in the future.

2. Eliminate car payments. Vehicle debt is a form of consumer debt that is widely used by car buyers. There's nothing stopping you from entering retirement with a car payment, but it requires bigger withdrawals from savings or more cash flow to cover the payment. Lease payments or another type of monthly bill that those without vehicle debt don't have to pay.

When planning for your retirement, consider your transportation needs well ahead of your exit date. Your family may no longer need two cars if you and your spouse don't have to go to separate jobs at the same time. Some retirees choose to go without a car. Public transportation, taxis and ride-share services such as Uber and Lyft are alternatives to owning a car. If you can eliminate car payments approaching retirement, you'll strengthen your ability to save aggressively. Entering retirement without a car payment will help you preserve your nest egg.

However, you may need to purchase another vehicle when you're existing car becomes less reliable. Consider a used vehicle to save money, or buy a lower cost entry model with cash. Avoid the temptation of low interest rate loans.

3. Pay off student loan debt. According to a survey by Sallie Mae, 14 percent of parents borrow money to pay for college cost for their children. With the increasing cost of higher education, many parents end up in debt from university tuition in the years nearing retirement.

The best strategy to avoid college tuition debt if you choose to fund your child's education should start saving early. A 529 college savings plan is a great place to start, but only 13 percent of families use them, according to Sallie Mae. Research 529 plans to find the one that gives you the best investment options for your risk tolerance and tax advantages for your state. Look for a diverse selection of low-cost funds.

Another option is to forego borrowing altogether require your child to except the debt burden of college tuition. You can always help your child later on, but prioritize your retirement over your child's education.

If you insist on funding your child's education with debt, create a payoff timeline that ends before your retirement date. A home equity loan may be a good option for lower rates, especially if you expect to downsize your home in retirement. That will enable you to pay off the debt when you downsize your home.

4. Downsize your home and sell the abundance of stuff now. As part of a comprehensive retirement plan, housing needs and the abundance of stuff should be at the forefront of planning. If you intend to pursue a debt-free retirement, your largest hurdle maybe your mortgage. Staying in a paid for home will keep your housing cost down. But not everyone is mortgage free as they approach retirement.

Choosing to live in a debt-free house takes planning. One strategy is to downsize your home in retirement. You could also move to a location with the lower cost of living. Another option is renting. Renting allows you to live without a mortgage and has the added benefit of not having to deal with maintenance issues or large unexpected costs.

Having a Living Estate Sale to turn that clutter, collections and unused items into cash is often overlooked but a great way to help pay off debt. The abundance of treasures all around you could be sold now when there is time to sell it right through consignment stores or at the home after relocating and not under emotional times of a loss. Let's face it, our children do not want our stuff or the guilt, stress, draining energy and many times family discord when deciding how to deal with it.

5. Avoid medical debt. One in five working-age Americans with health insurance reports problems paying medical bills, according to a survey by the Kaiser Family Foundation. And more than half of those who are not insured find medical costs unaffordable.

Medical cost rise as you age. Adequate health insurance it essential component of your retirement plan. If you retire before age 65, you'll need to find an affordable but comprehensive health insurance policy that fits the needs of you and your family.

The next line of defense is to avoid medical debt is to maintain a conservative emergency fund in a savings or money market account. Keep this money separate, and only utilize it in the event of an unexpected cost.

6. Refuse to lend money to family. A truly debt-free retirement means avoiding lending money, not just borrowing. Retirees with a healthy nest egg may be approached my friends or family members looking to borrow money in times of need or perhaps to invest in a business venture. Lending to family members can cause tension, especially when one party doesn't hold up to the bargain. This can lead to strained relationships, which is certainly not what you want in retirement.

If a close family member is financially distressed and needs help, consider gifting money instead of lending if you have the means. Make it clear it's a one time assistance, you're doing it out of love and you do not expect anything in return. Those truly in need will be grateful, and you'll feel no animosity for an unpaid debt. In the event someone close approaches you to invest in a business, choose equity deals over debt and treat the investment as highly speculative, only investing a small fraction of your net worth.

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