

When should you **retire**?

Exploring the opportunities and challenges



For all that's ahead.SM

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Deciding when to **retire** isn't as simple as it used to be.

Today, retirees are facing a volatile economy, longer life expectancies, and more options for working longer than previous generations. This brochure can help you understand some of the opportunities and challenges you may face in retirement, so you can take them into account as you determine your retirement age.

First steps

Start by assessing where you are today – and addressing the concerns you may face tomorrow.

STEP 1: income analysis

The first step in deciding when to retire is to estimate how much income you'll need in retirement.

A good place to start is understanding when Social Security retirement benefits are available and estimating what those benefits might be. You may be able to receive Social Security benefits as early as age 62 (if you qualify). But keep in mind that if you retire early, you'll receive at least 25% less Social Security income annually than if you wait until full retirement age (FRA). Also, postponing retirement past your FRA could mean an increased benefit of 8% more per year until age 70, when the maximum Social Security benefit is available.

In addition to Social Security, you'll need to consider other available sources of income. Your financial professional can help you determine those other sources of income, and also your potential expenses – including health care costs, food, and housing.

If you have an income gap – in other words, your projected expenses are greater than your projected retirement income – you may need to consider delaying your retirement age, or using other assets.

STEP 2: health care costs

Health care costs could be a big part of your retirement expenses. That's because, if you retire before age 65, you may need to pay for your own health insurance. The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) does require that some employers offer medical insurance if you terminate employment before age 65, but usually only for 18 months – and the premiums may be higher than what they were when you were employed.

Also, it's important to consider that although the federal government's Medicare program may be available at age 65, it doesn't cover all health care costs. Plus, it also requires a monthly premium for Part B coverage, and deductibles for hospitalization.

STEP 3: other employee-sponsored benefits

Retiring – at any age – may also mean giving up many other benefits such as employer-sponsored life insurance, employer contributions to Health Savings Accounts (HSAs), disability insurance, vision plans, and dental insurance. Before deciding to retire, find out whether any of those employee benefits can continue into retirement, and at what cost to you. If those benefits are not covered after retirement, it's important to add them as a potential expense in your income analysis above.

STEP 4: phased retirement

Some people prefer to ease into retirement, either through phased retirement with their current employer or part-time employment elsewhere. If you are considering either of these options, be sure the wages received will be enough to sustain your living expenses without affecting your retirement savings.

Also be sure to ask whether the employer will provide health insurance, whether you may continue or begin contributing to the employer's 401(k) plan, and whether the employer matches your 401(k) contributions. And don't forget about other benefits, such as life insurance, vacation days, vision coverage, dental coverage, long term disability, short term disability, and bonus plans.

Finally, consider how many years you expect to be able to work, based on potential health issues you and your loved ones may be facing. It's possible you may be forced into retirement earlier than planned because of health or caregiver reasons.

STEP 5: personal readiness to retire

Many people overlook one final question as they decide when to retire: How will you spend your time in retirement? Though early retirement can sound attractive because it frees up time to travel, pursue hobbies, and be with your family, some early retirees find that they have excess time on their hands. Whether you decide to retire early or at normal retirement age, think about how you'll spend your time – and consider volunteering or part-time work if personal fulfillment might be an issue for you.

Taking the next step

Meet with your financial professional to determine when you may be able to retire.

As we've seen, it's important to address both financial and personal concerns as you develop a retirement strategy. Use the checklist below to help make sure you're addressing many of these concerns – and gather information to help your financial professional make a recommendation for you.

Pre-retirement checklist

- Discuss the age at which you would like to retire.
- Talk to your spouse about the age at which he/she wants to retire (if applicable).
- Estimate your total income sources for retirement, beginning at your desired retirement age.
- Estimate your total expenses at that age.
- Subtract the expenses from your income to determine whether you have an income gap.
- Determine how your budget can cover any income gaps.
- Determine what – if any – employer-provided benefits you'll have in retirement, such as health insurance, life insurance, disability, vision insurance, and dental insurance.
- Consider how you plan to spend your time in retirement.

Before social security full retirement age checklist

- Determine whether you need to take Social Security income to fund your early retirement. You'll receive reduced benefits if you retire early, and Social Security benefits are not available before age 62.
- Consider whether early retirement will deplete your savings prematurely.
- Review the special rules that apply to 401(k) plan distributions for separation from service at age 55 or older, and the IRA distribution rules before age 59½. Be aware of potential tax issues.

Before social security full retirement age checklist (continued)

- Consider health insurance costs.
 - Can you cover your health care needs until you turn age 65, when Medicare becomes available?
 - Can you cover your own health insurance or COBRA premiums until Medicare?
- Consider how you will cover the lost employer-provided benefits (life insurance, employer contributions to HSAs, etc.).
- Determine your interest in a phased or part-time employment (flexible) retirement.
- If you work part-time, be aware of the reduction in your Social Security benefits if you exceed the income limit.
- Educate yourself and your spouse about the additional social security benefit options for married, divorced, or widowed individuals that may be relevant to your situation.

At social security full retirement age or after checklist

- If your health allows, consider working longer. If you put off retirement, your Social Security benefit can increase until age 70.
- Enroll in Medicare three months before you're eligible. You're eligible the first of the month after you turn age 65, and you must enroll if you're not receiving Social Security benefits.
- Consider whether you need a Medigap policy.
- Start your Social Security benefits no later than age 70, when the maximum benefit is available. Remember that you can work as much as you want with no reduction in benefits once you reach your full retirement age (FRA).
- Educate yourself and your spouse about the additional social security benefit options for married, divorced, or widowed individuals that may be relevant to your situation.
- Prepare to begin required minimum distributions (RMDs) from IRAs and 401(k) plans after you turn age 70½.

By completing the items on this checklist, you will be better prepared to discuss both your financial situation and your personal feelings about when to retire – and you'll be on the road to a more secure and personally satisfying retirement.

Set up an appointment with your financial professional today to discuss your retirement age options, and to learn which opportunities and challenges may most apply to your situation.

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