Ford Financial Group

Helping Chart Your Financial Course

RETIREMENT
TAKE TIME TO GET READY

When planning for retirement, there's more to consider than your current retirement savings. It requires preparation and readiness from a financial, personal, and lifestyle point of view. This is best done with the active participation of a spouse, partner, or other family members, as retirement can often be a significant point of change for the entire family. Following a series of steps can help create a smoother transition to pursue the retirement lifestyle you've envisioned. We've created this list to help break it down into a series of goals that you can check off as you go.

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FIVE YEARS TO RETIREMENT

Picture yourself in retirement, and you probably envision a life full of activity and decades of health, happiness, and prosperity. The reality, however, is somewhere in between. Will your retirement savings, Social Security benefits, and any pensions cover your expenses in retirement? Now is the time to find out.

- ☐ **Set your target date**. This will help you create a timeline against which you can measure your progress. If you prefer a "phased approach," which allows you to transition from full-time to part-time, talk to your employer about how reducing your hours will affect your health insurance, employee benefits, or pension.
- ☐ **Envision your retirement**. You get to set your schedule and choose how you will spend your day. Are you interested in taking on part-time work or wanting to try a new hobby? Do you want to travel, relocate, or help fund your grandchildren's education? What additional expenses might you incur?
- ☐ **Position yourself for a better retirement**. If you're 50 or older, consider taking advantage of catch-up contributions. Employees who participate in a 401(k), 403(b), and most 457 plans can contribute an additional $6,500 per year. Workers contributing to a traditional or Roth IRA can contribute an extra $1,000 per year.
- ☐ **Build a cash reserve**. In retirement, a 6- to 24-month cash reserve is recommended to cover short-term and emergency costs.
- ☐ **Eliminate all debt**. Any fixed payments will begin to take up a larger share of your expenses. Start by taking inventory of all sources of debt, amounts owed, interest rates and repayment terms, then prioritize on how you're going to pay it off.
- ☐ **Estimate your monthly retirement income**. This often includes a pension and Social Security. The Social Security Administration has stopped mailing out most yearly statements, but you can estimate your retirement benefit online at SSA.gov.
- ☐ **Estimate your retirement expenses**. Once you know when you want to retire and can visualize what you want your life to look like, you can better estimate the amount of retirement savings you'll need to support your lifestyle. It's also important to factor in financial risks you may face in retirement:
  - ☐ **Longevity**. With life expectancy for many stretching into their 90s and older, retirement assets must last longer. Expect to live longer than your parents.
  - ☐ **Inflation**. Even a mild increase in goods and services can reduce your spending power over time. At an average inflation rate of 3%, your cost of living would double in 24 years. Also, some costs, such as medical care, have historically increased faster than the Consumer Price Index.
  - ☐ **Your portfolio**. Extremely conservative investments can be just as risky as aggressive investments. If your portfolio grows at a slower rate than inflation, you could eventually have to dip into your principal.
  - ☐ **Withdrawal rate**. Keeping a conservative withdrawal rate can decrease your risk of running out of money.
  - ☐ **Health expenses**. On top of insurance premiums, you're likely to face outlays for prescriptions, co-pays and deductibles, dental care, and eyeglasses. Medicare won't cover all of your health expenses.
- ☐ **Consider purchasing long-term care insurance**. Long-term care can be expensive and is generally not covered by Medicare. People need to have a sense of security, and that can be especially important if you have a family history of health issues.

THREE YEARS TO RETIREMENT

The following steps will help evaluate your current spending in greater detail, update your financial projections, and address any retirement concerns.

- ☐ **Create a budget**. A detailed budget will give you a realistic picture of your future expenses. Write down every debt, liability, savings balance, and income stream you have. Don't forget about properties, vehicles, and other valuable possessions that can affect your bottom line.
- ☐ **Recheck your pension and Social Security benefits**. The future income amounts you had calculated in the past can fluctuate during your working years. Get an update annually on your pension and from Social Security to stay informed.
- ☐ **Revisit your financial projections**. It's essential to be as realistic as possible. Look at your future expenses relative to your projected retirement income and savings and make any necessary changes.
- ☐ **Review your life insurance coverage**. Evaluate your needs in comparison to your coverage and determine if they're still appropriate.
- ☐ **Confirm your beneficiary choices**. This can include life insurance policies, retirement accounts, and pension plans.
- ☐ **Review your employer's retirement benefits**. Make sure you understand all the benefits your employer offers to retirees, such as retiree health insurance.
- ☐ **Explore your housing options**. Have you outgrown your current home? Do you want to live in a warmer climate or closer to your children and grandchildren?
- ☐ **Test out your retirement budget for three to six months**. Make adjustments if it makes you uncomfortable or if you're unable to make ends meet.

ONE YEAR TO RETIREMENT

Now is the time to review and finalize your plans – from your budget and your savings withdrawal strategy to your medical insurance and estate planning. Be sure to take advantage of employee benefits while you're still in the workforce.

- ☐ **Decide when to claim Social Security benefits**. Once you've decided on a retirement date, Social Security can provide the actual amount of your benefit checks.
- ☐ **Finalize your plan for post-retirement health insurance**.
    - ☐ *If you retire at age 65 or older*, your obvious choice is Medicare. However, Medicare can be complicated, so take the time to educate yourself on its various parts and how it works in conjunction with other medical plans, such as Medicare supplement insurance. Make sure you avoid gaps in coverage and get the protection you need at the lowest cost.
    - ☐ *If you retire before age 65*, your health insurance choices include employer-sponsored retiree health insurance, COBRA, or through Marketplace. Some of these plans are expensive, so be prepared.
- ☐ **Get medical check-ups**. Your out-of-pocket medical costs will likely rise when you retire, so take advantage of your employer's health insurance plan in the final year before you leave – schedule your doctor's appointments and medical procedures sooner rather than later.
- ☐ **Put an estate plan in place**. Proper planning can help protect and transfer your wealth in the manner which you intended. Make sure your estate goes to those you love, and ensure that your family's financial needs are taken care of for generations to come. Essential estate planning documents include:
    - ☐ A formal will, which is a legal means by which you can dispose of your assets at the time of your death
    - ☐ Any trusts, which is a legitimate way for a third party or trustee to hold and protect assets on behalf of one or more beneficiaries
    - ☐ A durable power of attorney, which will allow you to designate someone to act on your behalf to make decisions regarding your financial matters if you're no longer able to do so yourself
    - ☐ A living will, which is a written statement detailing your desires about medical treatment if you're unable to communicate your wishes

SIX MONTHS TO RETIREMENT

All of your retirement arrangements should now be in place. Crunch the numbers one last time, and talk to the experts who can confirm you're good to go.

- [ ] **Create a list of essential information**. In case of an emergency, help your family attend to your affairs by organizing your vital records and relevant documents. Tell at least one trusted relative or friend on where and how to access this information.
    - [ ] *Personal* – passports, social security cards, etc.
    - [ ] *Medical* - Advanced Care Directives, immunization records, etc.
    - [ ] *Insurance policies* - life, health, homeowners, auto, etc.
    - [ ] *Property documents* - loan information, property deeds, etc.
    - [ ] *Legal* - contracts, wills, trusts, etc.
    - [ ] *Financial* - retirement/pension statements, banking information, credit card numbers, etc.
    - [ ] *Contact information* - attorney, tax accountant, financial advisor, doctor, and anyone else essential in taking care of your affairs
    - [ ] *Password list* - include websites, account information, and passwords for your online accounts
- [ ] **Plan your departure and formalize your retirement plans with your employer**. Schedule an appointment with your current employer's human resources office to discuss company guidelines for retiring. You will need to understand the process and timeline for starting your retirement benefits as they will not begin automatically.
- [ ] **Refresh your financial projections (again).** Review and update using the exact dollar amounts of your pension and Social Security benefits.
- [ ] **Meet with the experts**. Your financial advisor will review and help confirm your final retirement plans. Make sure that you understand any specific tax-related issues that may apply when taking distributions from your retirement plans, selling your home, or transferring assets to family members or heirs.

THREE MONTHS TO RETIREMENT

Transitioning into retirement is a significant life change. Now is the time to complete the employed chapter of your life and set the stage for what lies ahead.

- ☐ **Migrate your personal 'stuff' from work to home**. Establish a private email if you don't already have one, and move any individual files from your work computer.
- ☐ **Change online profile information to reflect your post-retirement contact information**. This could include Social Media accounts such as LinkedIn, Facebook, and Twitter.
- ☐ **Finalize arrangements with your employer**. Submit your resignation letter when the time is right.
- ☐ **Review Medicare coverage.**
    - ☐ If you've already applied for Social Security benefits, you will automatically be enrolled in Medicare effective the month you turn age 65.
    - ☐ If you plan to delay your Social Security benefits, you are still eligible for Medicare at age 65 and need to sign up. You will not get Medicare automatically. To avoid a gap in coverage, apply for Medicare when they contact you a few months before your 65th birthday.
    - ☐ If you are 65 or older and covered under a group health plan, you will have a special enrollment period during which to sign up for Medicare Part B before having to pay a 10% premium surcharge.
- ☐ **Apply for Social Security benefits**. You can start receiving benefits as early as age 62 or as late as age 70. Your Social Security application can be submitted up to four months before you want your benefits to begin. The earliest you can apply for benefits is at age 61 and 9 months, but applying for benefits before your full retirement age will result in a permanent reduction in benefits. If you plan to continue working after retirement, note that any earnings may reduce or may even eliminate your Social Security benefits before you reach your full retirement age.
- ☐ **Document essential dates for any application or election deadlines**. Gather all supporting documents, such as last year's W-2 forms, your birth certificate, social security card, marriage or divorce papers, citizenship or naturalization records, and military discharge papers. Employers typically allow 30 days to make your pension payout election. Rollovers from employer retirement plans to an IRA can take as long as 90 days.
- ☐ **Test-drive your retirement budget**. Now is the time to spend as you would during retirement, then determine whether you need to adjust your expectations.

AT RETIREMENT

After years in the workforce, you finally have complete control over how to spend your time. Your main objective is to make sure your assets last if you can. Retirement planning does not end here! Monitor all your retirement plans carefully, and tweak where required.

- ☐ **Determine your tax withholding**. The sources of your retirement income and how much retirement income you draw will determine your taxes. In general, your retirement benefits and withdrawals will be taxable at the federal level and possibly by your state.
  - ☐ Quarterly estimated tax payments will be required to avoid penalties and interest if you owe more than $1,000 in taxes that you've not prepaid through withholding. For convenience, you can have taxes withheld from your IRA and retirement distributions.
  - ☐ Social Security benefits can be taxed up to 85 percent of their value, depending on your other income. You can ask to withhold federal taxes from your Social Security benefit when you first apply using Form W-4V (Voluntary Withholding Request).
- ☐ **Transition your healthcare coverage**. Whether it's Medicare, an employer-provided plan, COBRA, or a temporary policy to bridge the gap until age 65, now is the time to activate your retirement health care coverage.
- ☐ **Calculate your retirement income paycheck**. Take a final look at your various sources of retirement income and determine how much will need to come from your investment portfolio and IRAs. In most cases, it makes sense to withdraw from your taxable accounts and allow your traditional and Roth IRAs to continue to grow tax-deferred.
- ☐ **Live within your means**. Many people overestimate their expenses. Once you have accounted for the essentials, such as health care and housing, you can begin budgeting for discretionary items, such as travel, entertainment, and gifting.

Enjoy your new chapter. After decades in the workplace, you deserve a happy and fulfilling retirement—and careful planning can help make it possible.

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