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Things to Consider Before Retirement

Did you know that nearly half of Americans have yet to begin planning for their retirement years¹? There are many different aspects of your retirement that should be planned out to help alleviate stress and set you up for a successful and relaxing future. When making decisions about when to retire, you should consider the following:

1 Retirement Income Streams.

Even though your career paycheck might stop coming in, your expenses do not. It is important to identify if your retirement income, in addition to your savings, can cover expenses for the rest of your life. For this reason, it is important to know where your income during retirement is going to be coming from. There are several options for retirement income, including pensions, Social Security benefits, annuities, and taxable investments such as stocks and bonds. For some of these options, time is money. It is important to know when to claim Social Security, for it literally pays to wait to take your benefit. Here is the retirement age breakdown for Social Security benefits²:

- **Age 62** – qualified individuals are eligible to file for their Social Security benefit
- **Age 66 or 67** (depends on your birth year) – full retirement age; entire benefit is available to you
- **Age 70** – when delaying to file for your benefit past your full retirement age, your benefits grow by approximately eight percent each year, which could increase your benefit by 132 percent

2 Saving for Retirement.

Six out of 10 workers feel confident in the fact that they will be able to enjoy the retirement that they have envisioned for themselves, yet only 56 percent of workers are currently saving towards their retirement¹. Unfortunately, many people do not have the sufficient retirement savings to cover life expenses. With that said, it is imperative to evaluate whether or not your accumulated funds can sustain your needs for the remainder of your life. Over half of pre-retirees admit to not knowing how much money they will need to retire, which is one of the reasons why it is important to consider using a financial planner to determine the steps that need to be taken as you prepare for a secure retirement.

3 A Sustainable Withdrawal Rate.

According to a report from the Consumer Bankruptcy Project (CBP), the rate of bankruptcy among senior citizens has increased between a stunning 200 and 300 percent³. To help avoid this unfortunate fate, adequate savings paired with a realistic and sustainable spending rate are vital when entering retirement. An individual's spending rate will most likely fluctuate based on uncontrollable factors, such as length of living, health concerns, inflation, and market returns and volatility⁴. In addition, your rate can also vary based on factors that can be controlled such as retirement age and extracurricular activities including travelling and golfing. Retirement spending rates, typically, are not one-size-fits-all, and implementing a financial plan can help to understand what to expect.

4 Health Care Coverage.

Health care remains one of the largest retirement expenses, with an estimated average cost of \$285,000 per 65-aged couple in 2019 – and that's excluding long-term care⁵. With that said, this amount is dependent on a couple of factors: your personal health, how long you live, and where and when you plan to retire. Sixty-five is the age in which a person becomes eligible for Medicare and Medicare Advantage, and it is important to explore the different plans that are associated with Medicare to determine which one is the most fitting for your needs. For early and pre-retirees who are younger than 65, there are various options to consider when searching for medical coverage, such as employer-sponsored insurance plans, among others. Thoughtful tax-planning may be needed to evaluate which options are best for your specific needs.

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5 Emotional Preparation.

It's important to not only have a financial plan, but an *emotional* plan as well. Retirement is a series of transitions, and many people can find this life change to be very unsettling due to fear of the unknown⁶. Working provides people with not only a sense of financial security, but a sense of purpose and self. Some people feel that their identity has been stripped along with their professional title

when entering retirement. To relieve this unnerving feeling, it can help to create a "fun" plan with hobbies, travelling and activities to look forward to when determining how to spend your free time⁷. For a complete retirement, proper planning, both financial and emotional, helps to set you up for a positive future that aims to reduce the anxieties that accompany retirement.



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