

AN AGE GUIDE FOR

# YOUR RETIREMENT TIMELINE



*A definitive look at key ages and guide to actions and considerations to help Baby Boomers ensure a happy and financially secure retirement.*

Presented to you by *Your Retirement Timeline*, an educational resource for those close to retirement or recently retired

## Introduction

When determining your retirement timeline, it's important to know exactly what *retirement* planning actions are necessary to ensure *your* successful *retirement*. The number one fear of Baby Boomers is outliving their money. Knowing important ages and dates will help you avoid costly mistakes; like the one 74% of Americans are still making by filing for Social Security too early. From potential tax pitfalls to unplanned medical expenses, *Your Retirement Timeline* is here to help. The choices you make now will radically impact your chances of living the retirement you've envisioned.

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*YRT believes in challenging the status quo and committed to thinking differently about your retirement. YRT is a free resource designed specifically for Baby Boomers, easy to understand and simple to incorporate into your retirement plan. Join us!*

## Age Milestones

### *Age 55: Making a Retirement plan*

You're likely within 10-12 years of retiring. Now what?

Aside from having a trust and will created, hopefully you and/or your advisor have done a great job at growing and accumulating assets for retirement. This is the time when you start laying out your retirement plan. Starting with Social Security as the foundation to your retirement timeline and primary source of guaranteed income, you will build a plan that coordinates your Social Security benefits, pensions, 401(k)s and IRAs. Now is also the time to start thinking about preserving and protecting your retirement savings. How would a repeat of the 2008 recession affect your planned retirement date or retirement plans?

This is also the time to consider, if you haven't done so already, the future cost of long term care. The insurance industry has become quite innovative in recent years and now offers non-traditional LTC products that address rising costs of LTC. Today's average monthly cost in an average LTC facility is \$6,500. In 20 years, the monthly cost is projected to be \$14,300.

Source: <https://www.genworth.com/about-us/industry-expertise/cost-of-care.html#>

### *Age 59 ½: Withdrawal Eligibility*

This is the age where retirement starts to become a reality for most Americans. It's also the earliest age at which you can take withdrawals from your IRA, 401k or other qualified retirement accounts without the 10% early withdrawal penalty.

Do you think taxes will be higher or lower in the future? You'll want to consider future tax rates and the impact withdrawals from qualified accounts like your 401(k) or IRA will have on your retirement income. Continue the shift towards preserving your assets. A rule of thumb is to use your age as a barometer. For example, if you are 60 years old, 60% of your assets should be safe/guaranteed against loss or investments that are susceptible to market ups and downs. Why? You have less time to make up for losses of your retirement assets the closer you get to your target retirement date.

### *Age 60: Collecting a Spousal Benefit*

This is the earliest age at which a widow(er) can file and collect Social Security widow(er)'s benefits. There is a required minimum of years of marriage to collect a widow(er)'s benefit however.

### *Age 62: To File or not to File?*

With 50% of married couples and 71% of unmarried persons receiving 50% or more of their income from Social Security, now is the time to ask yourself why your advisor has not talked to you about the importance of coordinating your Social Security and retirement benefits.

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This is also where 74% of Americans are making the biggest retirement mistake. Just because you can file for Social Security benefits starting at age 62, doesn't necessarily mean you should. This is true especially if you 1) don't need the income, or 2) plan to work and earn more than \$17,040 per year (2018) due to the Social Security earnings test. This is the maximum you can earn without taking a reduction in Social Security benefits. You'll also experience a 25% reduction in Social Security benefits if you elect benefits at age 62.

Source: <https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>

### *Age 65: Medicare Enrollment*

Age 65 is the magic age to enroll in Medicare. Consider enrolling at least two months prior to your 65<sup>th</sup> birthday even if you have employer or retiree health coverage. If you do not sign up for Part B when you're first eligible, you'll have to pay a late enrollment penalty. You will have to pay this penalty for as long as you have Part B. Your monthly premium for Part B may go up 10% for each full 12-month period that you could have had Part B but did not sign up for it.

Source: <https://www.medicare.gov/your-medicare-costs/part-b-costs/penalty/part-b-late-enrollment-penalty.html>

At age 65, 65% of your retirement assets should now be safe/guaranteed and protected from market downturns. Whether you are already retired or close to it, time is not on your side!

### *Age 66-67: Eligible for Full Benefits*

This is your Full Retirement Age (FRA) that you are eligible to file and receive 100% of your Social Security benefits. Not to be confused with your PIA Pimary Insurance Amount. Your PIA is the actual dollar amount you receive at FRA. It is also the dollar figure in the upper right-hand corner of page one of your SS statement.

If you plan on retiring at your FRA, be prepared! The day you stop working and no longer receive a paycheck, is also the day you start to account for every dollar coming in and going out.

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If you do retire now, consider your options of where to start receiving income from. If you take income from your retirement accounts and delay SS, you could receive between 24% and 32% more SS income at age 70. The Bi Partisan Budget Act of 2015 changed filing rules for all Americans. It also created an opportunity for a very specific age group to collect spousal benefits after FRA and realize tens of thousands in additional income. If you're married, divorced, widowed or single, you have options when it comes to filing for Social Security Benefits.

### *Age 70: No More Delaying Benefits*

There is no benefit to delaying SS benefits past age 70. You are leaving money on the table at this point.

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### *Age 70 ½: Required Minimum Distributions (RMDs)*

Required Minimum Distributions or RMDs, are distributions from your IRAs, 401(k) or other qualified retirement plans the IRS requires you to take when you reach the age of 70½. Distributions are included as taxable income. You can have taxes withheld from the distributions. Do not wait until now to decide where to start taking income from. The tax implications might just be the thing that derails your actual retirement income.

Hopefully, you've been or will soon start doing the things you have planned to do in retirement like travel, golf, spending time with grandkids or volunteering for your favorite organization. From here on out, it's all about preserving what you have saved for retirement.

### *70s and Beyond: Maintenance & Review*

A retirement plan executed properly will account for all planned and unplanned expenses like health care, Medicare supplements, long term care, downsizing, a vacation home, RV or spoiling the grandkids.

Review the plans you have put in place every few years. Make sure your trust and will are up to date and that your PODs, TODs, beneficiaries and DNRs are set up the way you want them. Having your end-of-life decisions and including your immediate family in your plans is important. Your family will be grateful.

## Conclusion

### *Start Planning for Your Retirement Timeline*

YRT workshops are presented by a select few retirement specialists who are dedicated to helping Boomer's coordinate retirement benefits. If after reading this paper you're asking yourself "why didn't my advisor tell me about this?" NOW is the time to act and work with a YRT advisor who understands *Your Retirement Timeline!*



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