

# When Retirement Is Near

You've worked hard during your career. Soon you'll be able to retire and begin a new, rewarding phase of your life. Before you reach retirement, think about how you want to spend your time, what you want to accomplish, and how your finances will be affected. Plans you make today will help you prepare for a fulfilling future.

## Where Will You Live?

When you retire, are you planning to relocate to another part of the country, move to a smaller place, or stay in your current home? Where you decide to live during retirement could have a big impact on your lifestyle and expenses.

If your dream is to relocate to a geographic region with a different climate or live closer to family and friends, do your research now. You'll want to become familiar with the housing costs, income and property taxes, senior services, and health care available in the targeted location.

Maybe you want to stay in the area where you live now but move to a smaller home that's easier to maintain. If so, don't forget to factor into your retirement budget the costs of moving and a new mortgage, if applicable. If you want to stay in your current home, consider the costs necessary to maintain it when you are developing your budget.

## How Will You Spend Your Time?

Retirement may be a time for you to finally rest and relax. Or maybe you'll be busier than ever. How you spend your time will most likely affect the amount of retirement income you'll need, so the more you plan now, the better prepared you can be for the financial realities of retirement.

Perhaps you want to travel and/or visit family and friends who live far away. Retirement may be a good time to pursue a sport or hobby you've always loved but didn't have time for when you were working. And it may not be too late to return to school for an undergraduate or advanced degree or even take adult education courses on subjects that interest you.

Retirement for you may include work of some sort. Maybe you want to stay affiliated with your current employer on a reduced schedule or in a consulting capacity. Or perhaps you'd like to begin a new career or start your own business. And many retirees spend a lot of their time volunteering in their communities.

## When Should You Start Drawing Social Security?

You get to choose when you'll start receiving Social Security benefits. The earliest you can start receiving benefits is age 62. The amount you'll receive each month will depend in part on your age when you start receiving benefits. Full Social Security benefits begin at your "full retirement age," which ranges from 66 to 67 for people born after 1942. To find out your full retirement age, you can check on the Social Security Administration's website ([www.ssa.gov](http://www.ssa.gov)).

If you retire early and begin drawing Social Security, your monthly benefit amount will be permanently *reduced*, based on the number of months until you reach your full retirement age. Generally, your benefit will be reduced by 25% to 30%. If you need the income early or aren't anticipating a long retirement, drawing Social Security early may make sense for you.

If you delay receiving benefits until after your full retirement age, your monthly benefit amount will be permanently *increased*, based on the number of months you do not receive benefits between full retirement age and age 70. If you don't need the income right away, want a larger monthly benefit, and are expecting to be retired for a long time, delaying benefits may be appropriate for your situation.

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## What About Health Insurance?

Health care and associated costs are generally a substantial retirement expense, so it's important that you have adequate health care coverage after you retire. If you retire before you are eligible for Medicare, or if you know you won't have retiree health insurance, you may need to purchase coverage. Researching your options now may help you secure coverage and save money later on.

Medicare will not provide coverage until you are age 65. So, if you plan to retire early, make sure you have health insurance in place. If either your or your spouse's employer provides retiree insurance, this should be an option you consider. If you don't have access to retiree health insurance, you may be able to continue coverage with your current plan — but only for a limited time — through COBRA benefits. Once COBRA ends, you may have the option of converting from a group policy to an individual policy, or you can look into securing coverage elsewhere.

When Medicare coverage starts at age 65, you still may need supplemental insurance, or "Medigap" coverage, to help with expenses that Medicare doesn't cover fully. There are a number of insurance companies that are authorized to provide coverage from state to state. Carefully research the companies and their plan features, and assess your health care needs before choosing a policy.

## Is Your Retirement Income in Order?

You've probably saved and invested for retirement for many years. As you near the day when you'll stop working, it's time to start planning how you'll manage your income once you retire. This is a good time to look at your investments and consider your retirement plan payout options, including a potential rollover.

It's important to keep saving even as retirement draws closer because the more you can save now, the more income you'll likely have later on. Your retirement may last a long time, and since

inflation will impact the purchasing power of your savings even during retirement, you'll want to accumulate a significant nest egg. If you're age 50 or older, you may be able to make "catch-up" contributions to your retirement plan or individual retirement account and save even more on a tax-favored basis.

This may be a good time to look carefully at your retirement investments' exposure to risk. You might want to shift a greater percentage of your retirement assets out of relatively more aggressive investments, such as stocks,\* and invest an increased amount in more conservative investments, such as bonds\*\* and cash equivalent investments, to help preserve your principal. You should consider retaining at least some stock-based investments in your portfolio during retirement.

Before you retire, you should learn as much as possible about your retirement plan payout options. How you take your distribution may have substantial income-tax implications, and once you make a decision, it is generally irreversible. Since this is such a significant decision, you should seek the advice of a financial professional who can help you choose the distribution option that's right for your situation.

**Retirement is a much-anticipated time of life — make the most of it. Your professional advisors can discuss your plans for retirement with you in more detail and help you determine which options best suit your circumstances.**

*\* Stock investing involves a high degree of risk. Stock prices fluctuate and investors may lose money.*

*\*\* Prices of fixed income securities may fluctuate due to interest rate changes. Investors may lose money if bonds are sold before maturity.*

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