NEARING RETIREMENT

THINGS TO CONSIDER

For years, you've envisioned exactly what you want from life after you stop working, and you've diligently planned for it. But now that it's closer than ever, you may wonder what you need to do to smoothly manage the transition. Smart planning in the years and months leading up to this new stage can help you prepare. Be aware, though, that the planning doesn't end there. Your life will change in the 20 to 30 years after you switch gears, and we'll be there to help you along the way, so you'll feel confident that you're ready for whatever comes next.

DEFINING EXPECTATIONS

You've likely thought about what retirement will be like, but have you defined the details that will make up the next 20 to 30 years of your life? We know that vision is different for every person, but one thing is the same. Now is the time to get down to details and identify short- and long-term goals. It's important to think about how you'd like to spend your time, where you want to live and who you'd like to spend time with when you no longer work from 9 to 5. It is also important to think about the things you hope won't ever happen – like an unexpected illness – and plan for them just the same. These unknowns can put your vision at risk if they catch you unprepared.

HAVE YOU THOUGHT ABOUT...

Now that you're on the verge of this transition, you may wonder:

1. How can I make sure my money will last in retirement?
2. Have I saved enough for a secure and comfortable retirement?
3. Will my everyday expenses be covered? What about my wants?
4. Should I keep working? Do I want to?
5. What risks do I face?
6. How will I pay for healthcare expenses?
7. How can I maximize my household Social Security benefits?
8. How much should I reserve for emergencies?
9. Have I properly documented my estate-planning wishes?
10. How should I allocate my assets as I get older?

Identify your goals. Write down your short- and long-term goals and review them with your advisor to determine how to best achieve them and in what time frame. Do you want to retire early? Buy a vacation home? Are your goals realistic? Talk with your advisor to figure out where you may have to make adjustments as you work toward your vision.

Think about where you want to live and the costs associated with transportation, insurance, taxes and maintenance. Will you need a car? Is there access to public or other transportation?

Think about how you'll spend your days to keep yourself physically, emotionally and mentally engaged. Will you continue to work part time? Volunteer? Help with family? Travel? Will you be obligated to babysit the grandkids? Be realistic about what to expect, then carefully address these issues so you'll know how to meet your obligations to yourself and your family.

COMMON GOALS

Life in retirement should be long and fruitful. Along the way, you may have other goals to plan for, as well:

- New car or boat
- Travel
- Funding education
- Leaving a legacy
- Benefiting others

TIP

Don't forget your social life. Retirement is a prime time to cultivate new friendships and hobbies, while maintaining older friendships. If you'll have to travel to meet up with friends and family, factor that in.

ARE YOU EMOTIONALLY READY?

Preparing mentally and emotionally is just as important as preparing financially. You'll likely go through several emotional stages as you adjust to your new lifestyle.

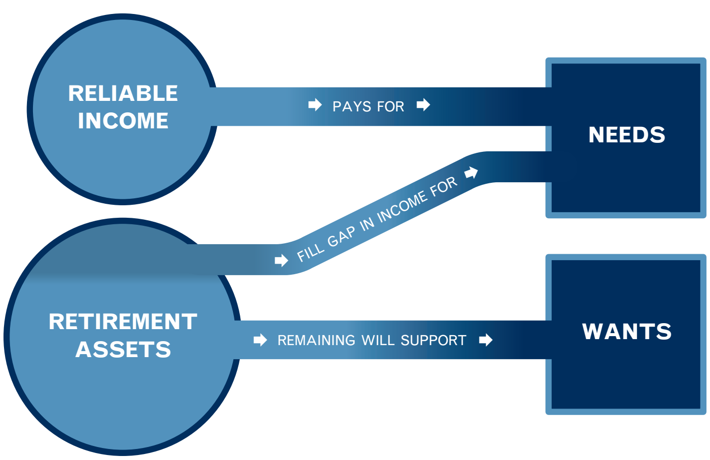
- **The planning phase –** Your entire career has been spent saving and planning for retirement.
- **The big day –** Retirement day is here. Celebration ensues.
- **Honeymoon phase –** After the handshakes and hugs, you and your spouse will throw yourself into your new life, enjoying all the things you didn't have time for before.
- **Disenchantment –** The emotional high wears off, and you may start feeling bored or disillusioned.
- **Readjusting –** A time for creating a new identity, separate from who you were as a professional. Familiarize yourself with your new circumstances and learn to navigate your lives as a full-time partnership now that you and your spouse are spending more time together.
- **Moving on –** Settle into a new daily routine, on your terms.

FUNDING YOUR LIFESTYLE

Next comes the big question: How will you pay for it all? You'll need to structure a dependable income stream so you'll feel confident that your money will last as long as you need it to.

Determine living expenses. Now that you have outlined your goals, determine what you need and what you want so that you can make adjustments as you plan. Consider housing, transportation, food, entertainment, clothing, healthcare, travel and the miscellaneous items that make life more fulfilling. If you *need* that country club membership, factor it in.

Identify your cash streams. There's reliable income from sources like Social Security, annuities, pensions and employment; and other supplemental sources that can fluctuate, like required minimum distributions, income from rental properties, brokerage and retirement accounts, and savings. Determine how these assets can help pay for your needs and wants. A shortfall means you'll have to consider tradeoffs or save more in order to fulfill your retirement wishes.



TO YOUR HEALTH

Healthcare costs represent one of the largest expenses in retirement, and an unexpected health event can quickly deplete retirement savings. Work with your team of professionals to determine which Medicare and long-term care options work for you.

Manage your cash flow. Income will come from a variety of places. Consolidating these disparate sources makes it easier and simpler to see what's coming in and what's going out, so you can control your budget.

Set up a smart withdrawal strategy. Once you know where your money is coming from, determine how to use it well. Your advisor can help you plan withdrawals to manage the impact of taxes and determine the right timing to make you comfortable.

Use debt wisely. Reduce or eliminate debt before you retire, particularly "bad" debt like credit cards or car loans. Mortgage debt has some advantages (i.e., tax credits, inexpensive interest rates), but if you prefer to retire debt-free, consider forgoing vacations to double up on payments in the last few years of work. Keep in mind, though, that you may need to borrow funds to help you respond to unexpected events in retirement – both good and bad. And the best time to apply for credit is while you're still working.

Maintain your emergency fund. Retirement comes with unknowns, just like the rest of life. While you can't plan for them, you can put some contingency money aside to deal with the surprises that come your way.

LET'S TALK ABOUT IT

Maximizing Social Security

If you and your spouse are different ages, work with your advisor to determine when you should each start collecting Social Security benefits in order to maximize household payments. Strategies include waiting longer to collect, taking spousal benefits or something called file and suspend, which allows one spouse to collect on the other's record and then switch over to their own benefits later. Your advisor has navigated this road before and can provide some insight.

PREPARE FOR THE UNEXPECTED

Life can and will throw you a curveball in retirement. While you can't plan for every contingency, you can set aside extra cash to:

- Cover family emergencies
- Pay for unexpected medical or home expenses
- Provide cushion in case of a market downturn
- Weather market fluctuations

CONTINUING THE JOURNEY

Just because you'll start drawing down on the assets you've saved over the years, doesn't mean you can forget about the future. You'll still need a combination of growth and income to sustain your asset pool for the rest of your life.

Keep investing. No one knows how long your retirement will last, so you'll need the right mix of fixed income, equities and other investments to provide income and growth over a long period of time. Yes, equities will still play a role. They can potentially help you keep up with inflation and replenish assets as you use them. Work with your financial advisor to create an asset allocation and diversification strategy that evolves with your needs.

Redefine your risk tolerance. As you come to depend on your savings for income, you may be less willing to accept investment risk. Take a realistic look at what kind of losses you can handle now that you can no longer count on a salary. Your advisor can discuss ways to make up shortfalls.

PLAYING CATCH-UP

When you check to see if you're ready to retire and find yourself off track, consider these strategies to help accelerate your retirement readiness.

1. SAVE MORE

Cut back anywhere you can and use that money to boost your contributions to your 401(k) and other retirement accounts. Maximize your contributions as soon as you can in order to take advantage of any employer match and to give the investments more time to potentially grow.

2. RETIRE LATER

Working longer means you can delay drawing from your assets and can help maximize Social Security benefits if you wait to collect until full retirement age. Keep in mind that working full time may not always be an option, so you might consider part-time options.

3. ADJUST YOUR PLAN

Maybe you want to go back and revisit your goals, particularly needs and wants to ensure you can cover essential expenses throughout your life.

Review and revisit. Conduct regular reviews of your plan and assess any changes that may be needed in order to stay on track toward your short- and long-term goals.

BENEFITING OTHERS

Leaving something for the next generation is a goal for many, but this goal often gets pushed aside as more urgent priorities come into focus. Take the time to revisit how your income needs will work within the context of your estate planning goals.

Review and update all estate planning documents. Your will, trust, powers of attorney, healthcare directives should all be up to date and reflect your current family situation.

Discuss your wishes with your family. Make sure your children and family know what to do should you become unable to care for yourself physically or financially. The more information they have about your plans, your wishes and your advisors, the better prepared they will be to ensure your wishes are honored.

IMPORTANT MILESTONES **Key decision dates as retirement approaches**

You will be making a number of age-related decisions – either deliberately or by default – as you get closer to retirement. Since many of them can affect benefits and/or your cash flow during retirement, it's wise to be aware of them, and to coordinate your decisions with a spouse, especially if you are of different ages. Here are some key dates to keep in mind:

AGE	
50	Eligible for IRA and 401(k) catch-up provisions
55	Eligible to take penalty-free withdrawals from qualified retirement plans like 401(k)s, 403(b)s and profit sharing plans if you left your employer in the year you turned 55 or later.
59½	Eligible to begin withdrawing from IRAs and 401(k)s penalty free
62	First eligible for Social Security – with reduced benefits
65	First eligible for Medicare
66	Full retirement age (FRA) for Social Security (born 1943-1954; FRA increases by two months for every year from 1955 to1959)
67	Full retirement age for Social Security (born 1960 or later)
70	Maximum Social Security benefit (you must begin taking benefits)
70½	Required minimum distributions begin the year after you hit this age

WE'LL BE HERE.

Retirement isn't the endgame; it's a full and active part of your life that could last a long time, so you'll want to be as prepared as you can – financially, emotionally and physically. We're available to help you develop a sensible strategy for how you'll fund a fulfilling retirement and how you'll continue generating income when you need it. In the years ahead, you'll uncover new opportunities and face fresh challenges – and we'll be there to help prepare for the future you've envisioned.

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