Lifetime Checklist for RETIREMENT

There's a lot to consider as you prepare for retirement, so it's wise to begin planning well ahead of time. This guide is designed to help you stay on track (or play catch-up) for the retirement you envision.

In your 20s & 30s:

Pay off student loans and high-interest credit card debt. The sooner you pay this off, the more you will have to invest in your retirement plan portfolio.

Start a regular savings plan that is 8-12% of your take-home pay. Set up an emergency fund (equal to 3 to 6 months of your living expenses) in a money market account.

401(k)

Enroll in your employer's 401(k) plan. This plan allows you to contribute pre-tax dollars to your account, which reduces your taxable income and allows these dollars to grow tax-deferred. Try to contribute at least what your company matches, if not more.

Roth IRA

Diversify by opening a Roth IRA. Diversifying creates more flexibility when drawing income in your retirement years. Although your contributions are post-tax, your earnings will grow tax-free. This IRA will also allow you to take out up to $10,000 from your account tax-free to go towards for your first-time home purchase.

Invest a percentage of your savings in riskier assets, such as stocks. This percentage should decrease as you grow older, but a good rule of thumb is in the following equation:

110 – your current age = the % allocated to riskier investments (stocks)

Avoid pitfalls such as:
- increasing your cost of living as your salary increases
- borrowing from your retirement savings
- cashing out when changing jobs (penalties)

In your 40s:

If you have saved very little (or nothing) by age 40, become more aggressive in your savings plan by meeting the maximum contribution threshold in your retirement accounts. The maximum annual 401(k) contribution is $18,500, while the maximum annual IRA contribution is $5,500.

529

Open a 529 college savings account for your children. This fund grows tax-free and when you finally withdraw it for qualified college expenses, there is no federal income tax due.

In your early 50s:

If you have saved very little (or nothing) by age 50, take advantage of the catch-up contribution options available on your retirement plans:
- The catch-up contribution for 401(k) accounts is an additional $6,000 beyond the $18,500 limit (so $24,500 annual limit in total)
- For IRA accounts, the catch-up contribution is 1,000 beyond the $5,500 limit (so $6,500 annual limit in total).

Make a plan to pay off your mortgage by your early 60's (discuss this topic with your advisor).

Begin estate planning (if you haven't already). Have wills and healthcare directives drawn up by your lawyer.

In your early 60s:

Pay off your mortgage in full (discuss this topic with your advisor).

Cancel any unnecessary insurance policies such as term life insurance and disability insurance once you leave the workforce.

Important ages to remember:

Age 59.5 At this age, the early withdrawal penalties for most savings plans (such as 401(k) & IRAs) are lifted. Be advised, though, that you still pay income tax on these withdrawals. Also, the more you take out, the less these accounts will earn in the future.

Age 62 Decide if you want to claim Social Security early. 62 (and one month) is the earliest age you can start old-age benefits. However, your benefit will be 75% of what you could draw if you waited until Full Retirement Age (66).

Age 65 Enroll in Medicare as early as 3 months before your 65th birthday. Enroll in Medicare supplement plans as well.

Age 66 Decide if you want to claim Social Security at Full Retirement Age (currently age 66). At this age, you will have a higher paycheck than if you retired at 62, but you can get even higher benefits if you wait until age 70. The general rule of thumb is that it will increase by 8% per year after age 66.

Age 70 If you haven't done so already, claim Social Security. There is no benefit of waiting beyond this age.

Age 70.5 Begin withdrawing the annual Required Minimum Distribution (RMD) from your tax-deferred accounts. If you don't withdraw this amount by this age, you could be penalized by up to half of the amount you were required to withdraw.

5 years before you retire, begin the following retirement checklist:

Five years to retirement:
- ❑ Set your target date.
- ❑ Envision your retirement.
- ❑ Calculate your number.
- ❑ Position yourself for a better retirement.
- ❑ Consider purchasing long-term care insurance, if you haven't already.
- ❑ Pay off outstanding debt.

Three years to retirement:
- ❑ Review your retirement benefits, including social security.
- ❑ Review your retirement health care benefits and costs.
- ❑ Review and adjust your retirement asset allocation.
- ❑ Review your life insurance coverage.
- ❑ Formulate a retirement lifestyle budget.

One year to retirement:
- ❑ Record important dates and deadlines.
- ❑ Contact the Social Security Administration.
- ❑ Contact your employer.
- ❑ Contact prior employer retirement plans.
- ❑ Contact Medicare.
- ❑ Test-drive your retirement budget.

At retirement:
- ❑ Consolidate your retirement accounts.
- ❑ Transition your health care coverage.
- ❑ Calculate your retirement income paycheck.
- ❑ Determine your tax withholding or quarterly tax payment.
- ❑ Adjust your budget.

General rule of thumb for retirement savings:

By Age:	30	35	40	45	50	55	60	67
Multiply Salary By:	x1	x2	x3	x4	x6	x7	x8	x10

Contact us today to find out how much savings you need to retire.

We know that the road to retirement has many twists and turns and that life can put obstacles in your path. Let Breed's Hill Wealth Management guide you through this process and help you stay on track for the retirement you envision.

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301 N Park Avenue, Suite A, Winter Park, FL 32789 • www.BreedsHillWM.com