Retirement Checklist
Adapted From Motley Fool's
Retirement Ruler Checklist

Everyone: (Regardless of where you are on the retirement roadmap.)

- Assemble your financial control center.
  - One place where you gather and file your financial documents.

- Choose an asset allocation and implement it.
  - 40% stocks, 60% Bonds –Conservative Portfolio
  - 50% Stocks, 50% Bonds – Moderate Portfolio
  - 60% Stocks, 40% Bonds – Aggressive Portfolio

- Each year determine if it is time to rebalance your portfolio.
  - Every 3-4 years should be enough unless there have been dramatic changes in your allocations.

- Evaluate your financial plan using a online retirement calculator. This will help you answer the following questions:
  - When you can retire.
  - How much you can spend in retirement.
  - How much more you need to save in order to retire when you want.

- Consider consolidating your accounts.
  - Simplify your financial life by consolidating your IRA's at one provider, or roll-over your money in former employers plans to a self-directed IRA.

- Update beneficiaries of all financial account, benefits and insurance policies.

- Document everything for those left behind.
    - Use one of the many financial inventory tools available online.

- Evaluate your insurance.
    - Most individuals would be better off purchasing **term** life insurance rather than a whole or universal life policy. Use life insurance for insurance coverage, not as an investment tool.

- Meet with a **fee-only investment advisor** if you are unsure about any major financial decisions.
    - Do not use an investment broker who does not have a fiduciary responsibility to represent your best interests.

- Make sure you have a will and financial/ medical durable power of attorneys.
    - Use an attorney if you have a sizeable estate and need their expertise.

- Maintain good health.
    - Regardless of the size of your nest egg, you will not have a successful retirement without good health.

- Once a year get rid of the stuff you no longer want or need.

<u>More</u> Than 10 Years from Retirement:

- <u>Contribute to your employer-sponsored retirement plan (e.g., a 401(k) a 403(b)) up to the point where you take full advantage of the company match</u>.
    - Don’t take loans from the plan.
    - Be aware of the investments fees you are paying.
    - Minimize your investment in company stock
    - Diversify within the plan to meet your own asset allocation goal.

- <u>Open and fund an IRA</u>.
    - Contribute to a ROTH IRA if eligible, or if contributions to a traditional IRA wouldn’t be tax-deductible.

- <u>Enhance your human capital</u>.

- <u>Get rid of consumer debt</u>.
    - Know what your credit card debt is costing you.

- <u>Own your home</u>.
    - Know what your home is costing you.
    - Understand that your home is not an investment.
    - Consider a reverse mortgage as a ‘last resort’ option.

10 Years from Retirement

- Take advantage of a higher salary by saving even more.

- If you are age 50 or older, take advantage of higher contribution limits to retirement accounts.

- Consider paying off your mortgage with extra savings.
  - Going into retirement mortgage free means you'll need less income.
  - Your have extra piece of mind knowing you own your home.

- Review your annual Social Security benefit statement.
  - If you are 50 or older, you can probably count on receiving most, if not all, of your projected benefits.

- If you will receive a check from a defined-benefit plan in retirement, ask for estimates of your benefit based on various retirement dates.

- Consider a temporary retirement or sabbatical.
  - Maybe you just need a break or a new career.

- Take drastic action – as necessary.
  - Cut spending
  - Increase saving
  - Downsize your home
  - Sell unneeded items

- Consider purchasing a Long-term Care policy.

Three to Five Years from Retirement

- Begin to prepare a retirement budget.

- If you have any intention of refinancing your mortgage, do it before you retire.
  - Likewise, consider obtaining a home equity line of credit before your retire as an additional emergency fund.

- Consider where you will live when you retire.
  - Will you stay in the same house?
  - Will you stay in the same state/country?
  - Be aware of tax situations in other states.

- If your place of employment allows for accumulated leave, factor that into your plan.
  - Ask your HR department how to take advantage of unused sick or vacation leave.
  - Make sure taking it doesn't reduce your other benefits, e.g., defined-benefit pension.

- If income from running your own business will play a big part in paying for your retirement, now's the time to get it up and running.

- Have a long talk with your spouse.
  - Come to an agreement when you will retire and how you plan to spend your retirement.

- Practice your retirement.
  - Rent a home in the place you are planning to move to.
  - Try different hobbies/activities you are considering doing in retirement.

One Year from Retirement

- Apply for Social Security benefits three months before you want to receive your first check.
  - Remember that you give up 20-30% of your benefit by taking Social Security at 62 rather than your full retirement age (65, 66 or 67).
  - Remember that if you take Social Security early and continue to work that you will receive a reduced benefit if you go over the income threshold. Also remember that Social Security recalculates your monthly benefit once you reach your full retirement age and reimburses the benefits you lost.

- If you are already getting Social Security at age 65, you will automatically be enrolled in Medicare. Otherwise make sure you enroll in Medicare 3 months before your 65 birthday.
  - You do not have to begin Medicare at 65, if you are employed by a company that offers medical benefits that are comparable to Medicare.
  - When you start taking Medicare make sure you enroll and pay premiums for Part B.
  - You will also want to enroll in a **Supplemental** (Medigap) or **Medicare Advantage Plan** that provides 100% coverage for the portion of Medicare Part B that is not paid for.
  - At age 65, you may want to consider enrolling in Medicare's Prescription Drug Coverage (Part D) even thought you are not currently taking any prescription drugs, in order to avoid the enrollment penalty.
  - Remember that Medicare does not cover services provided outside the United States and only 100 days of nursing home care.

- Notify your employer of your plans to retire.

- If you are covered by a defined –benefit plan, arrange for payments to begin.

- Prepare a detailed retirement budget.
  - Remember to plan for large expenditures such as cruises and recreational vehicles, as well as unexpected expenditures such as a new roof or car.

- If you own company stock, find out the rules for exercising and/or selling.

- If you decide to purchase an annuity, begin requesting quotes.
  - Avoid variable annuities.
  - Usually best purchased after age 70.
  - Try to purchase when interest rates are higher.
  - Consider a deferred annuity to protect from outliving your savings.
  - If you purchase an annuity before age 60, buy one that is indexed to inflation.
  - Remember that your Social Security benefits are already one annuity that you own.
  - Be aware that the annuity is only as secure as the company behind it.

- Consider keeping employer-sponsored group insurance.
  - May be available for lower rate than you can purchase on your own.
  - COBRA coverage is available but may be more expensive than what you can purchase.

- <u>If you are retiring before age 59½ , consider substantially equal periodic payments (SEPP's, also known as rule 72(t))) as a way to withdraw money from retirement accounts penalty free</u>.
    - Remember you must continue those SEPP's for five years or until you reach 59½.

- <u>Estimate the income or lump-sum you'd receive from a reverse mortgage</u>.
    - Should be a last resort.
    - Think of it as living in your own emergency fund.

- <u>Take advantage of employer benefits while you're still on the job</u>.
    - Does your company help pay for computers, gym memberships or professional development?
    - If you are planning to retire early in the calendar year, ask HR if your company allows you to front-load your contributions to flexible spending and retirement accounts.
    - Under many medical flexible spending plans, once you make your contribution election for the year, you're free to spend every penny of it, even before you've made a single contribution.

Retirement!!!

- <u>Spend the first year's worth of cash in your **income cushion**</u>.
    - If you are not familiar with the **income cushion** concept, request the Motley Fool's Retirement Article, "**Comfy Income Cushion**".

- <u>Replenish your cash cushion at the end of the year</u>.
    - You now only have 4 years' worth of income.

    - Add another year, factoring in the previous year's inflation rate (which can be found at BLS.gov).

- <u>Decide on the best order of withdrawals for your assets</u>.
    - Non-retirement accounts first.
    - Then tax-deferred accounts.
    - Roth assets last.
    - Remember there are several exceptions to this order.
    - Request the Motley Fool's Retirement Article**,** "**Six Rules for Retirement Withdrawals**".

- <u>Rather than reinvest dividends and mutual fund capital gains, arrange to have them automatically transferred to your checking or money market account</u>.

- <u>If your portfolio has grown over the years despite annual withdrawals, apply a new withdrawal rate to the higher balance</u>.
    - Remember that you need to see where you are financially at the end of each year, and may need to adjust the rate down again if your investments take a downward turn (see next bullet point).

- <u>If falling markets or high withdrawals (perhaps due to unforeseen, expensive emergencies) have caused your net worth to drop by more than 10% over the past year, consider cutting back on expenses</u>.
    - Even withdrawal rates as low as 4% are now being seen as dangerous by some financial experts. This is mainly due to concern about the stock and bond market's ability to provide high enough returns over inflation to last someone 20-30 years in retirement.

- <u>Estimate your tax bill and pay quarterly</u>.
    - If necessary, arrange to have taxes withdrawn from your Social Security and pension benefits.
    - Pay quarterly taxes, if necessary, to prevent paying a penalty to the IRS.

- <u>If you're 70½ or older, take your required minimum distribution (**RMD**) from traditional IRAs and employer-sponsored accounts</u>.
    - You must take your first RMD by your required beginning date (RBD), which is April 1 of the year your turn age 70½. But if you wait until then, you'll have to take two distributions that year – one by April 1 and another by Dec. 31. Every year thereafter, the RMD must be withdrawn by Dec. 31. Otherwise, you'll pay a **50%** penalty.
    - If you contributed money to a 403(b) account before 1986, you may be able to postpone RMDs on that money until age 75.
    - Remember that you do not have RMDs on a Roth IRA.

- <u>Consider converting a portion of assets in tax-deferred accounts (e.g., a 401(kl) or traditional IRA) into Roth assets</u>.
    - If RMDs will eventually lead to large, taxable distributions, convert some of those tax-deferred assets into Roth IRA assets.
    - This is a complex decision which is based on the assumption of higher tax rates in the future. Your age may also be an important part of the decision. You should consult a tax expert before making any final decisions.

- <u>If you decide to purchase an annuity later in retirement, evaluate your options every year, and invest when appropriate</u>.

- <u>Automate your income</u>.
  - Arrange for direct deposit of your Social Security, pension, dividends, and interest into one account.
  - Request that your investment company transfers money from your **Income Cushion** account(s) to your bank account every month, quarter or year.