NewRetirement

Your Year End Retirement Checklist

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Feeling frazzled by holiday fanfare? Do you also have nagging worries about your retirement plans? One of the best ways to control stress of any kind is to make a list and check it twice. And we have done that for you. Here is a handy yearly retirement checklist — 15 things you should do before each year's end to set yourself up for a secure future.

1. Don't Guess: Figure Out Exactly What You Need for Retirement (or the Rest of Your Retirement)

Whether you are already retired, or nearing retirement, you need to know exactly how much money you will need to live comfortably for the rest of your life.

According to a Merrill Edge Report, 19 percent of mass affluent Americans — U.S. households with investable assets ranging from $50,000 to $250,000 — have no idea how much they will need. And the guesstimates are wide ranging:

- 9 percent think they will need more than $2 million
- 14 percent believe they will need $1 million to $2 million
- 24 percent say $500,000 to $1 million
- 23 percent say $100,000 to $500,000
- 9 percent say $0 to $100,000
- And 19 percent say they just don't know

So, how do you figure it out? You have options. You can find a high-quality financial advisor or use a respected online calculator — just beware of simple tools.

Planning does not need to be scary or complicated. The NewRetirement Planner makes it easy. Take two minutes to enter some initial information, then see where you stand

today. Next, start adding more details and changing some of your information. Discover meaningful ways you can improve your retirement finances.
This tool was named a best retirement calculator by the American Association of Individual Investors (AAII) and many others.

2. Think You Already Know What You Need? Check Again! Things Change!

Creating a retirement plan is not something you do once and then never revisit. Experts recommend that updating all aspects of your plan be part of your yearly retirement checklist — doing this quarterly is even better.

Lots of things change and evolve. Your plan needs to stay current with these developments. For example:

- Investments might not have performed as you projected. You should update savings balances.
- Your home's value may have increased.
- Perhaps you have gone back to work. It is great to add this income stream.
- The inflation rate changed.
- Perhaps your children moved back home.
- And much more…

Just make sure your retirement plan reflects your current situation and your best guesses about what will happen in the future.

3. Over 70.5? Be Sure to Take Your Required Minimum Deductions

A report from Fidelity Investments says 61% of their account holders who are older than 70 1/2 have not yet taken their Required Minimum Deductions (RMDs).

Yikes! Now is the time! Don't overlook this important yearly retirement checklist task! If you are older than 70½ — and required to withdraw from your retirement accounts — you need to do so before the end of 2018 or else you will owe hefty penalties.

- Are you worried about the taxes you will pay, here are 6 strategies to help you minimize the costs of these withdrawals — especially if you don't need to use the money now.

4. Still Working? Max Out Your Retirement Savings

If you haven't reached the contribution limits on retirement savings plans like 401ks and IRAs, then you may want to figure out a way to stash more money into these accounts. Have a year-end bonus? Cash gifts? A little extra money lying around?

Putting money into a retirement saving plan can have multiple benefits: You can:

- Defer paying taxes on the amount contributed
- Build your retirement savings and compound those savings with future investment earnings
- Boost the value of your savings if your employer makes 401(k) matching contributions

According to a survey by Aon Hewitt, 91% of all employees have compensation packages that may include a year-end bonus. Get that money into retirement savings. The 2018 contribution limits are:

- $18,500 for 401ks, 403bs, 457s as well as Thrift Savings Plans. And, if you are 50 or older, the catch-up contribution is an additional $6,000. So, you can save a total of $24,500!
- $5,500 for IRAs. And, the catch-up contribution for people 50 or older is $1,000. So, you can save up to $6,500 with tax advantages.

And, remember that you can max out both kinds of savings vehicles — and throw in a Roth account too!

5. Boost Your Monthly Savings Rate!

Another important thing to do if you are still working is to boost your savings rate.

You have hopefully received a bump in income this year. You should definitely consider using that bump to increase how much you save each month.

And, speaking of monthly savings, if you haven't automated the retirement savings process, you should do that now!

Saving for retirement takes willpower. However, if you automate your savings, you'll only need one burst of willpower to start the automatic withdrawals, then you won't have to think about it.

Commit – right now — to automating saving for retirement or for boosting the amount you are already saving. Don't think about it, don't consider how you might use that extra money for any non-retirement activities.

6. Diversify or Rebalance Your Investments

Lots has changed this year. The financial markets have seen record highs this year even if they are unpredictable at this year's end.

You may have put together an asset allocation strategy that seems perfect for your financial situation, but as the end of the year draws near, you might find that the weighting of each asset class may have changed. Perhaps the market value of every security in your portfolio began earning a different return throughout the course of the year, which caused a weighting change.

By rebalancing your investments, you can effectively minimize risk. Rebalancing essentially involves buying and selling portions of an investment portfolio to bring the weight of each asset class back to its original state.

This process will help to maintain the original asset-allocation strategy of the portfolio to help you stick to your investing plan no matter what the market does.

7. Assess if You Need a Financial Advisor

As you review your retirement finances, you may find that you could benefit from the help of a financial advisor.

Here are 5 reasons why you might want to seek help from an advisor:

1. Get confidence and peace of mind about your retirement finances
2. Reduce tax liabilities and maximize wealth
3. Construct and maintain the optimal asset allocation strategy, including a well-defined action plan for using assets for retirement income
4. Help with making rational decisions — not emotional ones
5. Keeping your finances up to date and making sure you don't miss opportunities due to indecision or procrastination

NewRetirement is happy to have introduced NewRetirement Advisors. NewRetirement Advisors is a new kind of advisory service, focused on providing very affordable financial planning built upon the NewRetirement Planner. You get a knowledgeable advisor to look over your financial situation and make recommendations. Learn more today!

8. Do You Have an Emergency Fund?

According to Bankrate, only 39% of people can cover a $1,000 setback using their savings. Where does the money come from when the unexpected happens? More than likely, it comes from the retirement fund. And that's a risky game to play.
Most financial experts recommend saving no less than 3 to 6 months' worth of living expenses available in an easy to access checking account, with 6 to 9 months being a safer amount to work toward.

The rest of your money should be working for you and earning interest.

9. Consider a Roth Conversion

Roth conversions and figuring out the best time to use them can be complicated. With traditional retirement savings accounts, you pay taxes when you withdraw money from the account. Roth accounts on the other hand are taxed when you invest the money.

Converting traditional funds into a Roth account can be a smart move in years when you are reporting a low income or have a lot of deductions.

And, a Roth conversion may be particularly interesting this year. Due to the Trump tax cuts — formally known as the Tax Cuts and Jobs Act of 2017 (TCJA) — your 2018 federal tax rate is likely lower this year than previous years — making a Roth conversion more affordable now than in recent times.

In fact, your 2018 tax rate may be the lowest you will see for the rest of your life since rates will start adjusting for inflation next year.

However, you should probably speak with a tax professional or a financial advisor to see whether this should be on your financial to-do list for the month.
Learn more about a Roth Conversion. Or, try it out on your own finances.
The NewRetirement Planner lets you model a conversion to see how it impacts your finances in both the short and long term. You can find this feature on the savings and assets page of "Your Plan."

10. Review Your Health Coverage

Actively shop for the best Medicare supplemental policy each and every year. Your health will change and the policies change. It is worthwhile to rethink your coverage annually.

Here are 10 tips for getting great coverage.
You may also want to look at ways to fund long-term care costs. Long-term care is not covered by Medicare or Medicare supplemental insurance.

11. Review Expenses

As the year nears a close, now is as good a time as ever to look over your expenses from the past 12 months in order to get an idea of how much you've spent. This will help you plan for the future.

You may also want to make sure that your retirement plans take into consideration the different phases of spending you will likely experience throughout retirement. It is widely accepted that there are three stages of retirement — each with fairly predictable spending needs and levels.

Phase 1 – Early Retirement: The first stage of retirement is characterized as a time of adventure and experiences. With more free time and relative health, there are a lot of opportunities for spending money. Some experts recommend that retirees budget for spending 20 percent more in this phase.
Phase 2 – Middle Retirement: While you may still be enjoying adventures in middle retirement, many people find that they simply spend more time with friends and family and stay a little closer to home. In this phase, your retirement spending may be at its lowest levels.
Phase 3 – Later Retirement: No matter how healthy you are and how well you age, there is no denying that health care expenses ramp as you get older. In fact, healthcare costs grow so much that this last phase of retirement is usually the most expensive phase of life. Out of pocket medical spending and long-term care costs absolutely sky rocket.
After an initial assessment, the NewRetirement Planner lets you set time periods with different spending and different expense levels. This will give you a much more accurate retirement plan.
NEW: Want to plan with even more detail? PlannerPlus, the premium version of the FREE Retirement Planner lets you create a highly detailed budget for retirement. The Budgeter has over 13 categories and 70 subcategories to help you envision your

future. You can also set must spend and nice to spend levels which can help with income and investment planning. Plus, there are features for better tax handling.

12. Review Where You Live and Your Housing Situation

Where you live plays a huge part in your satisfaction with retirement. And, your home is also probably your biggest expense and most significant asset.

Now is a good time to assess whether you are satisfied with where you live and whether or not it is a good fit for your finances and desired lifestyle.

The NewRetirement retirement planner lets you model downsizing, refinancing or getting a reverse mortgage to help you see the impact of a housing change on your overall retirement finances.

13. Optimize Finances for Lower Taxes This Year and Next

We are not about to try to give you tax advice here. However, now is the time to make some moves to save yourself money on both 2017 and 2018 taxes. Check out some of this Year End Tax Advice for Retirees.
And, Kiplinger's has an interesting list of the most overlooked tax breaks for the newly retired.

14. Review Estate Plans

An estate plan can insure that your loved ones are cared for. A good estate planner or financial advisor will also help you maximize your wealth.

Check Beneficiary Designations: Ensure that all beneficiary designations on life insurance policies, annuities and retirement accounts like IRAs and 401(k)s are up-to-date. Beneficiary designations govern how these assets pass to heirs and they supersede any other directives like a will.
Make Sure Wills and Trusts Are Updated: In the wake of recent celebrity deaths, we have learned how common it is for people to have neglected estate planning. Prince, Aretha Franklin and Michael Jackson died without a will.
And thousands die every year with an estate plan that was not recently updated.

Consider Life Insurance: Life insurance can play a role in your retirement if one or both spouses is still working in retirement and/or the couple's assets are not sufficient to ensure a financially secure retirement. The proceeds can supplement any retirement savings, Social Security benefits, a pension or other assets.

15. Assess and Set Retirement Goals

When it comes to retirement planning, everyone's goal is pretty much the same: create a plan so that you may live happily and comfortably in your non-working days. However, to have success with this goal, you need to make it much more specific, set priorities and visualize exactly the future you want.

You can set retirement goals for the near term — this year — or for the rest of your life.

Have you considered your lifestyle goals as well as your financial goals? What are your beliefs? What do you most care about? What do you want to be remembered for?