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As the Years Go By

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YOU CAN THINK of retirement as having four phases. Want to make sure you make the right decisions at the right time? An age roadmap can help.

Phase No. 1 is the preretirement period beginning at age 55. Why start then? If you leave your employer after this age, you can access your 401(k) without the usual 10% tax penalty on retirement account withdrawals before age 59½. To have this option, keep your 401(k) at your old employer, rather than rolling it into an IRA.

Also aim to open a Roth IRA by age 55. To access the earnings from a Roth without owing taxes, the account must be open for five years and you must be age 59½ or older. You can, however, withdraw your original contributions to a Roth IRA at any time, with no taxes or penalties owed. Bear in mind that, if you have a Roth 401(k) that you plan to roll into a Roth IRA, the five-year clock doesn't start until you have the Roth IRA established.

Don't have long-term-care insurance? This might be the time to buy. The average age to purchase LTC insurance is 59.

Phase No. 2 is age 60 to just before 65, and it revolves around Social Security and Medicare planning. At age 60, Social Security survivor benefits are available. At 62, Social Security worker benefits are available, but they'll only be 75% of your full retirement age amount—assuming your full retirement age for Social Security benefits is 66.

Three months before turning age 65, you should file for Medicare if you aren't covered by an employer's plan. Don't wait until you turn 65, because it takes time to process the paperwork. By filing three months before turning 65, you should be covered on the first day of your birth month.

Traditional Medicare consists of two main sources of coverage, Part A and Part B. In addition, you can supplement this coverage with Medigap insurance and a Part Ddrug benefit. Alternatively, you can opt for Medicare Advantage, sometimes known as Part C. Medicare has many moving parts, so research your options well ahead of age 65.

Phase No. 3 is ages 65 to 70. If you fail to sign up for Medicare Part B and Part D at 65, you face permanently higher premiums—unless you're still covered by an employer's insurance. If your income is $85,000 or higher as a single taxpayer or $170,000-plus as a couple, you'll pay a surcharge for Medicare Part B and Part D that's known as IRMAA, or income-related monthly adjusted amount.

If you were born in the 1950s or 1960s, your Social Security full retirement age falls somewhere between ages 66 and 67. Full retirement age unlocks some key benefits. You can work and collect Social Security without seeing your benefit reduced because of the so-called earnings test. You can suspend Social Security benefits and collect delayed retirement credits until age 70, which will boost your monthly benefit thereafter. You can file a restricted application for spousal benefits only—but you need to have been born before 1954.

If you file for spousal or survivor benefits at your full retirement age, you will receive the maximum amount possible. Spousal and survivor benefits don't increase if you claim any later than that. By contrast, Social Security monthly worker benefits hit their max if you wait until age 70. Benefit amounts increase by eight percentage points each year you delay beyond your full retirement age.

Phase No. 4 is from age 70½ to 80. Required minimum distributions (RMDs) must be taken from your IRA. They also need to be taken from your 401(k), unless you're still working for that employer and own no more than 5% of the company.

Currently, your first required minimum distribution must be taken by April 1 of the year after you turn 70½. (Congress will probably raise this to age 72 and possibly even 75.) Subsequent annual RMDs must be taken by Dec. 31. If you don't take your RMD, you'll pay a penalty equal to 50% of the RMD amount. If you do a Roth conversion after this age, you can't roll over the RMD amount—that money can't remain in any sort of IRA account—but you can convert a sum over and above the RMD amount. There are no required distributions for a Roth IRA, though you do need to pull money from a Roth 401(k). That's a key reason to roll Roth 401(k) money into a Roth IRA.

You can make a charitable donation directly from a retirement account to a charity and use it to satisfy your RMD. You don't get a tax deduction for the donation, but the sum also isn't included in your taxable income. This is known as a QCD, or qualified charitable distribution.

If you wait until age 75 to 80 to purchase an immediate annuity or have a deferred annuity begin paying, you'll receive more income due to so-called mortality credits. Unlike, say, life or long-term-care insurance, income annuities effectively become cheaper as you get older.