

## Retirement Decisions – Measure Twice, Cut Once Instilling Confidence; Inspiring Life

Retirement is a life changing event. You go from earning a salary and having the comfort of knowing what is going into your checking account to an uncomfortable feeling of not knowing where the cash flow will be coming from. You have spent years of preparing; doing all the right things; using all your company benefits and then the time is here and you lack the confidence of signing the retirement paperwork.

Why? Just when you think you have an idea of what to do, things change.

Twelve years ago, those considering retiring wanted to wait till age 59.5 because they could take distributions out of their IRA accounts without the 10% early withdrawal penalty. Around seven years ago, those considering retiring wanted to wait till age 62 because they could get social security early at a reduced rate. More recently, those considering retiring want to wait till age 65 because they will be eligible for Medicare/Medicaid.

No matter the age that you decide to retire, you will have to make decisions. Some of the decisions cannot be changed at any time while others can be changed or modified at a later time. This is one of the matters that makes retiring a difficult decision.

Here are 9 decisions you might have to make and I challenge you to think twice before deciding.

1. **How do you plan on “living” the rest of your life?** People that retire have lots of “free” time to do what they want, when they want. This sounds like a great thing but some people have trouble adjusting to all the “free” time. Hopefully, you will have a passion or hobby which you can devote time to. If not, find a passion or hobby to take advantage of all the “free” time.
2. **Are you budgeting a little “extra” spending in the early time of your retirement?** In the early time of your retirement you might find yourself doing things you had put off till retirement. These things could include travel; remodeling; relocating; etc. These things cost “extra” money.
3. **Are you retiring to retire or are you retiring from your current employer?** Some employees are not challenged in their job or want to seek new opportunities. For those retiring prior to age 59.5, be careful about setting up a 72t on your IRA to avoid the 10% IRA early withdrawal penalty (5 year lock); and then taking a new job.
4. **Do you want to pay quarterly taxes once you retire?** Nobody likes to pay taxes and even more hate to pay quarterlies. You should consider having taxes withheld on pension; Social Security; annuity and IRA distributions. This will keep you from having to pay quarterly taxes.
5. **Do you fully understand the pension choices your employer may offer?** A simple pension might offer: single life annuity (SLA) meaning when the employee dies, the surviving spouse gets nothing; 50% meaning when the employee dies, the surviving spouse gets half or 50% of the monthly pension; 100% meaning when the employee dies, the surviving spouse gets full or 100% of the monthly pension. This is very important because this decision cannot be changed.
6. **Do you take a lump sum out of the pension or one of the monthly pension choices?** The lump sum gets passed to your spouse and then to your children. The monthly pension can be passed to your spouse but when your spouse passes away it is over. There are always exceptions or modifications so you need to understand your company's pension plan. This is another decision that cannot be changed.
7. **Do you plan on taking Social Security early at 62 or wait to normal retirement age 67?** By deferring Social Security it grows around 8% a year. Studies show that by taking Social Security early you have to live to around 75 to “break even”. An important thing to know is that the

surviving spouse gets the higher of the Social Security payments but not both (assuming both are entitled to Social Security).

8. **Should you seek professional guidance or do all the handling of your retirement monies yourself?** The majority of people retiring need help. Companies still offer nice benefit programs but the human resource people helping you understand your benefits are hard to find. Most of them have been replaced by doing it yourself on the website. There are those that do not need help, but these people need to be educating their spouses because they don't understand. To do a background check on a Financial Advisor visit [www.brokercheck.finra.org](http://www.brokercheck.finra.org).
9. **Do you understand the cost of investing with your Financial Advisor?** An investor should know or at least have a handle on the investments in their investment portfolio. They should be aware of the trading (buying and selling) of securities in their portfolio. And they should let it be known what services they expect to receive like asset allocation, tax optimization, rebalancing, debt financing, legacy to the children and what fees they will be paying buying/selling fees, monthly or quarterly advisory fees, etc. All of this has a tendency to confuse investors as to the total cost of investing.

Understanding these 9 retirement decisions will give you a head start and will give you more confidence in making decisions inspiring you to move to the phase of life where you truly "live" it.

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