AN AGE GUIDE FOR

YOUR RETIREMENT TIMELINE

A definitive look at key ages and guide to actions and considerations to help Baby Boomers and Gen Xers ensure a happy and financially secure retirement.

YourRetirementTimeline.org

Introduction

The number one fear of Baby Boomers is outliving their money.

When determining your retirement timeline, it's important to know exactly what *retirement* planning actions are necessary to ensure *your* successful *retirement*. The number one fear of Baby Boomers is outliving their money. And the number one fear of Generation Xers is how they're going to pay for college. Likely, Gen Xers are still paying off their own college debt. Knowing important ages and dates will help you avoid costly mistakes; like the one 74% of Americans are still making by filing for Social Security too early. Or, not looking at retirement as a necessity and funding for college as a luxury. From overpaying for college and depleting your retirement savings to pay for college, to leaving tens of thousands of Social Security dollars on the table or, being prepared for unplanned medical expenses, *Your Retirement Timeline* is here to help. The choices you make today will drastically influence your chances of living the retirement you've envisioned.

Y.R.T believes in challenging the status quo and committed to thinking differently about your retirement. Y.R.T. is a free resource designed specifically for Baby Boomers, easy to understand and simple to incorporate into your retirement timeline!

Age Milestones

Age 40-50: College Planning

College Planning is often overlooked by Gen Xers until it's too late. What's too late? Waiting until you're 50 or older! If you wait until 50 to start thinking about how you're going to pay for your children's college, it's more likely than not that you're going to dip into your own retirement funds and take personal loans to fund your children's college expenses. Fortunately, even if you waited until age 50, you still have college funding options that will benefit you and your child/student.

Tuition and fees cost $3,508 to attend a public 4-year university in 2000. The cost jumped to $9,648 in 2016-17, an increase of 275%. The price of college has risen more than double the rate of inflation. If the same inflation happened to milk, a gallon that cost $2.79 in 2000 would be $7.67 today!

Source: https://www.topuniversities.com/student-info/student-finance/how-much-does-it-cost-study-us

Higher college cost means more debt. The average college graduate in 2016 had $37,172 of debt. The comes from massive amounts of student loans, but there are other ways to pay for college like scholarships and grants. In fact, they covered 34% of college costs in 2015-16.

There are 3 types of families that need college funding/planning help.

1) Families with total financial need
    - 100% accuracy in prep is needed to receive 100% FREE $
2) Families with partial financial need (majority)
    - It all depends on the school and how assets and income are positioned
3) Families who make too much money to qualify for NEED BASED Financial Aid
    - MUST go through process to receive MERIT BASED AID
    - Tax Efficiency and Retirement Goals MUST be considered

There are two primary parts to college planning: 1) Student Services (how and where your student goes to college) and 2) College Funding (how you pay for college).

Below is a list of student services that should be addressed during all college planning sessions:

1) Calculate EFT – (Expected Family Contribution)
2) FAFSA & CSS Profile
3) SAT/ACT Scores
4) The Career (Holland Code & Myers Briggs)
5) The Major (Likely to change)
6) College Search (Cast a wide net, then narrow)
7) Student Positioning (Academic/Social/Financial)
8) Visitations (Get more $/Social fit)
9) Admissions Application (Apply early/NON-BINDING program)
10) FAFSA Application (ALWAYS FILE)
11) Awards Analysis & Appeals

Next, you'll have to figure out how you're going to pay for college. Do you have one child, two, maybe three? Those tuition figures mentioned earlier were per child. If you have three children, multiply those figures times 3 and you see how frightening it can be for Americans to consider how they're going to pay for college.

Below are typical ways American's pay for college:

1) Savings?
2) Retirement – 401k?
3) Scholarship?
4) Borrow/Loans?
5) Go to a less desirable school?
6) Not go at all?

Whether your child/student is a newborn or a senior in high school, working with a college planning specialist will help you learn the different ways to fund college. Keep in mind, there are financial products that do not count against you when applying for aid and can result in a higher award or aid. Remember, your situation is unique to you. Don't rely on advice from friends, co-workers or neighbors. Just because their child/student has a 529 Plan, doesn't mean you should.

Age 55: Making a Retirement plan

You're likely within 10-12 years of retiring. Now what?

Aside from having a trust and will created, hopefully you and/or your advisor have done a great job at growing and accumulating assets for retirement. This is the time when you start laying out your retirement plan. Starting with Social Security as the foundation to your retirement timeline and primary source of guaranteed income, you will build a plan that coordinates your Social Security benefits, pensions, 401(k)s and IRAs. Now is also the time to start thinking about preserving and protecting your retirement savings. How would a repeat of the 2008 recession affect your planned retirement date or retirement plans?

This is also the time to consider, if you haven't done so already, the future cost of long term care. The insurance industry has become quite innovative in recent years and now offers non-traditional LTC products that address rising costs of LTC. Today's average monthly cost in an average LTC facility is $6,500. In 20 years, the monthly cost is projected to be $14,300.

Source: https://www.genworth.com/about-us/industry-expertise/cost-of-care.html#

Age 59 ½: Withdrawal Eligibility

This is the age where retirement starts to become a reality for most Americans. It's also the earliest age at which you can take withdrawals from your IRA, 401k or other qualified retirement accounts without the 10% early withdrawal penalty.

Do you think taxes will be higher or lower in the future? You'll want to consider future tax rates and the impact withdrawals from qualified accounts like your 401(k) or IRA will have on your retirement income. Continue the shift towards preserving your assets. A rule of thumb is to use your age as a barometer. For example, if you are 60 years old, 60% of your assets should be safe/guaranteed against loss or investments that are susceptible to market ups and downs. Why? You have less time to make up for losses of your retirement assets the closer you get to your target retirement date.

Age 60: Collecting a Spousal Benefit

This is the earliest age at which a widow(er) can file and collect Social Security widow(er)'s benefits. There is a required minimum of years of marriage to collect a widow(er)'s benefit however.

Age 62: To File or not to File?

With 50% of married couples and 71% of unmarried persons receiving 50% or more of their income from Social Security, now is the time to ask yourself why your advisor has not talked to you about the importance of coordinating your Social Security and retirement benefits.

Just because you can file for Social Security benefits starting at age 62, doesn't necessarily mean you should.

This is also where 74% of Americans are making the biggest retirement mistake. Just because you can file for Social Security benefits starting at age 62, doesn't necessarily mean you should. This is true especially if you 1) don't need the income, or 2) plan to work and earn more than $17,040 per year (2018) due to the Social Security earnings test. This is the maximum you can earn without taking a reduction in Social Security benefits. You'll also experience a 25% reduction in Social Security benefits if you elect benefits at age 62.

Source: https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf

Age 65: Medicare Enrollment

Age 65 is the magic age to enroll in Medicare. Consider enrolling at least two months prior to your 65th birthday even if you have employer or retiree health coverage. If you do not sign up for Part B when you're first eligible, you'll have to pay a late enrollment penalty. You will have to pay this penalty for as long as you have Part B. Your monthly premium for Part B may go up 10% for each full 12-month period that you could have had Part B but did not sign up for it.

Source: https://www.medicare.gov/your-medicare-costs/part-b-costs/penalty/part-b-late-enrollment-penalty.html

At age sixty five, 65% of your retirement assets should now be safe/guaranteed and protected from market downturns. Whether you are already retired or close to it, time is not on your side!

Age 66-67: Eligible for Full Benefits

This is your Full Retirement Age (FRA) that you are eligible to file and receive 100% of your Social Security benefits. Not to be confused with your PIA Primary Insurance Amount. Your PIA is the actual dollar amount you receive at FRA. It is also the dollar figure in the upper right-hand corner of page one of your SS statement.

If you plan on retiring at your FRA, be prepared! The day you stop working and no longer receive a paycheck, is also the day you start to account for every dollar coming in and going out.

If you're married, divorced, widowed or single, you have options when it comes to filing for Social Security benefit.

If you do retire now, consider your options of where to start receiving income from. If you take income from your retirement accounts and delay SS, you could receive between 24% and 32% more SS income at age 70. The Bi Partisan Budget Act of 2015 changed filing rules for all Americans. It also created an opportunity for a very specific age group to collect spousal benefits after FRA and realize tens of thousands in additional income. If you're married, divorced, widowed or single, you have options when it comes to filing for Social Security Benefits.

Age 70: No More Delaying Benefits

There is no benefit to delaying SS benefits past age 70. You are leaving money on the table at this point.

A retirement plan executed properly will account for all planned and unplanned expenses like health care, Medicare supplements, long term care, downsizing, a vacation home, RV or spoiling the grandkids.

Age 70 ½: Required Minimum Distributions (RMDs)

Required Minimum Distributions or RMDs, are distributions from your IRAs, 401(k) or other qualified retirement plans the IRS requires you to take when you reach the age of 70½. Distributions are included as taxable income. You can have taxes withheld from the distributions. Do not wait until now to decide where to start taking income from. The tax implications might just be the thing that derails your actual retirement income.

Hopefully, you've been or will soon start doing the things you have planned to do in retirement like travel, golf, spending time with grandkids or volunteering for your favorite organization. From here on out, it's all about preserving what you have saved for retirement.

70s and Beyond: Maintenance & Review

A retirement plan executed properly will account for all planned and unplanned expenses like health care, Medicare supplements, long term care, downsizing, a vacation home, RV or spoiling the grandkids.

Review the plans you have put in place every few years. Make sure your trust and will are up to date and that your PODs, TODs, beneficiaries and DNRs are set up the way you want them. Having your end-of-life decisions and including your immediate family in your plans is important. Your family will be grateful.

Conclusion

Start Planning Your Retirement Timeline

Y.R.T. workshops are presented by a select few retirement specialists who are dedicated to helping Boomer's coordinate retirement benefits. If after reading this paper you're asking yourself "why didn't my advisor tell me about this?" NOW is the time to act and work with a Y.R.T. advisor who understands *Your Retirement Timeline!*