ePAPER

# 10 Steps for Retirement

Get ready to retire

## Plan Your Retirement

A happy and fulfilling retirement looks different for everyone. Retirement is an opportunity to explore hobbies, travel, spend time with loved ones, or simply enjoy a slower pace of life. For some, it may mean shifting from a full-time career into rewarding part-time work. Others might see themselves volunteering for a cause they care about.

Once you identify what will fulfill you in retirement, it is essential to understand how to achieve it. Financial planning and personal goals play a crucial role in shaping someone's retirement. We will help you get started with some straightforward tips.

## 10 Steps to Prepare

**Step 1: Define your retirement.**

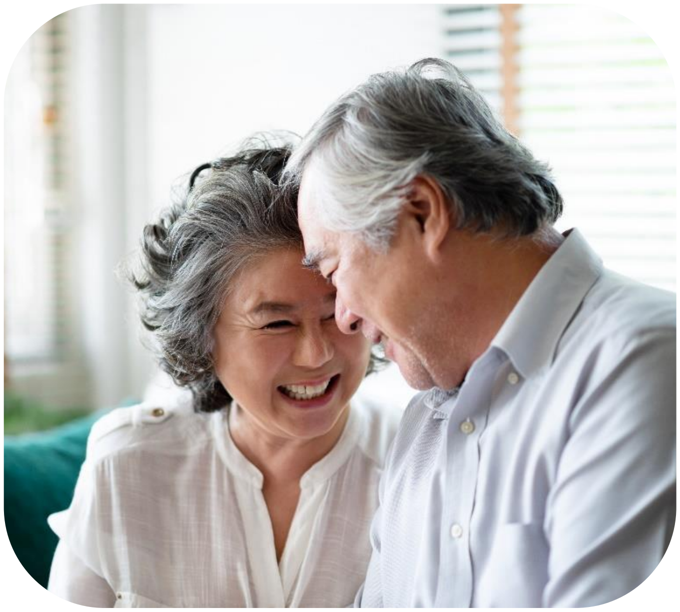
Consider how you would like to spend your retirement. Start by writing out your key objectives. Begin by listing your most important goals first, focusing on ideas rather than budget at this stage. Be as specific as possible. For example, instead of writing "travel" list the places you would like to go.

Try to limit the list to five top goals. To make your vision clearer consider starting a journal to capture how you envision your retirement. The more descriptive you are, the more tangible your retirement will become. This can help you to stay focused on a realistic set of goals.

If your goals are still general or vague, that is okay. You can start by outlining how you envision enjoying your retirement.

**Step 2: Take stock of your assets.**

You likely know your monthly income, the balances in your financial accounts, and the amount in your retirement savings. However, have you considered non-traditional assets that could help fund your retirement? Perhaps you collect antiques, restore cars, are an accomplished musician, or have a half-written novel waiting to be finished. Many hobbies and skills can be transformed into real income during your retirement years, such as trading antiques or offering music lessons.



Take the time to list your passions and non-traditional assets and start thinking about how you can turn those skills and hobbies into moneymaking opportunities.

**Step 3: Evaluate your health. Now.**

To make the most out of your retirement and life in general, it is essential to prioritize your health. Your health directly impacts your quality of life and financial planning.

Preventative medical attention can go a long way, so keep up with scheduling your checkups, annual physicals, and dental cleanings.

During each appointment, talk with your doctors to develop a plan to improve or maintain your health. Commit to a healthy diet, regular exercise, and sufficient sleep. Keep a sharp mind with brain games, puzzles, or books.

Staying in close contact with family and friends will also help you maintain your physical and mental health. This can also help combat any feelings of loneliness that may arise after you retire.

**Step 4: Create a retirement budget.**

Your budget should include:

- How much money is coming in.
- How much it will cost to reach the goals you identified in step 1.
- How much debt you have.

Once you have outlined these three items, track your income and expenses over the course of a couple of months to get an accurate picture of your financial situation. Then, determine how much money you will need to support your desired lifestyle in retirement. Take a close look at your investments: Is your portfolio diverse? Are you paying a ton in fees?

Make sure your budget also includes a plan to pay down debt. As a general rule, you will need about 80% of your working income in retirement to maintain your standard of living. Keep in mind that the 80% threshold may not cover extras like travel or hobbies, and discretionary spending tends to be higher in the early years of retirement when you are more active.

**Step 5: Determine when to start Social Security.**

For most people, deciding when to claim Social Security benefits is one of the most important financial decisions they will make for retirement.

According to a study by the Social Security Administration, about 1 in 3 Americans aged 65 and older rely on Social Security for at least 75% of their income. Social Security benefits are only intended to replace 40% of earnings.

The age at which you begin claiming your Social Security benefits significantly affects how much you will receive each month. The longer you wait to start collecting Social Security benefits, the larger the benefit will be for you.

You do not qualify for 100% of the benefit calculated from your lifetime earnings history until you reach full retirement age, which is 66 if you were born from 1943 to 1954. For those born from 1955 to 1960, full retirement age increases to age 67.

If you claim benefits before reaching full retirement age, you will get between 70% and 99% of your benefit amount. The minimum age to claim benefits is 62.

However, if you can delay claiming your benefits past full retirement age, you increase your benefit for each month until you reach age 70. Those who wait until 70 can receive 124% of their benefits.

Despite these calculations, predicting the future is impossible. Some may prefer to start collecting at 62, believing that the total amount they will receive by starting earlier might outweigh what they would receive by waiting to age 70.

**Step 6: Decide if you want or need to work.**

According to the U.S. Bureau of Labor Statistics, people 65 and over are the fastest-growing age group in the labor force.

For many, this reflects a classic cost-benefit equation: unless you are financially set for life, you will have to either stretch limited funds or continue working in some capacity to help fund your retirement. It is important not to wait until retirement to make this decision.

Now is the time to weigh the pros and cons of continuing to work. Consider whether a part-time job or freelance work is a good fit, and whether you want to stay in the field related to your career or start something new. The sooner you become comfortable with your choices and understand their financial implication, the more secure you will feel in your retirement planning.

**Step 7: Network through social media and other channels.**

Even in retirement, it is important to build and maintain your network. Take advantage of opportunities, both in person and online, to highlight your talents.

You might spend an hour a day on platforms like Twitter, LinkedIn, or Facebook, engaging with people who share your skills and interests. Think about starting an online group to discuss ideas with other soon-to-be retirees. The more socially active you are, online and offline, the more opportunities you will likely create for yourself.

As you network, be prepared to have clear, direct answers to questions like, “How can you use your talents and experience to contribute part-time to an organization or cause?”

**Step 8: Find new ways to cut your expenses.**

Whether your retirement is years away or right around the corner, you should start saving now. While you do not need to put all your extra cash into retirement accounts, it is always a good time to cut expenses and build savings.

Begin by listing your bills and finding ways to reduce them. How many streaming services do you pay for? Do you have any subscriptions you no longer need? Additionally, do not ignore your debt in an effort to bring you closer to your retirement goals. Reducing debt now can lead to less worry in retirement.

A strategy that works for many is to pay off your smallest debts first, regardless of the interest rate. This approach gives you a sense of accomplishment and empowers you to tackle bigger debts, knowing that you have the willpower to eliminate them.

**Step 9: Plan for the unexpected.**

Few people enter retirement expecting the worst, but unforeseen events like the 2020 global pandemic, which triggered early retirements and high inflation, remind us that the unexpected can happen.

Planning for the unexpected in retirement can help ensure financial security and provide a peace of mind.

It is crucial to plan for both minor issues, such as auto repairs, and major ones, such as a serious illness. Discuss these potential scenarios with your loved ones. Assess the cost of minor and major home repairs, consider shifts in the economy, changes in retirement goals and the resources you may need in a medical emergency.

Additionally, review your protection coverage. Check that your homeowner's insurance is sufficient for any major disaster and check if your health or long-term care insurance is adequate. If they are not adequate, now is the time to change your coverage.

**Step 10: Stick to the plan.**

Sticking to a retirement plan can be hard. Setting clear goals and creating a detailed plan that outlines your financial needs, lifestyle preference, and realistic timelines can make planning for retirement easier. Make sure to monitor your investment strategies to ensure they are aligned with your long-term goals. Regularly review your plan and budget to make sure you are staying on track.

Staying organized and focused on your objectives will help you achieve your desired outcomes. Do not be afraid to ask questions and seek advice, including from professionals. A financial planner can assist you to stay the course when challenges arise, or circumstances change.

## APCI FCU Online Resources

Our **Financial Resource Center** (FRC) offers many articles on **Planning for Retirement**. Within our FRC you can find information on **Forced Early Retirement**, **What It Means To Be Vested in Your 401(k)**, and more!

There are also several free **retirement calculators** available on our website. Simply plug in numbers to calculate the answers for the following questions:

- How much will I need to save for retirement?
- How much will I receive in Social Security?
- I am retired, how long will my savings last?
- How much can I save with my 401(k)?
- Compare Roth 401(k) and Traditional 401(k) retirement savings plans.
- How much will inflation affect my retirement?