



COUNTDOWN TO RETIREMENT

Your guide to planning for a joy-filled future

See what's included:

- Rules for Retirement by Age
- Retirement Checklist Add-Ons
- Secrets to a Happy Retirement



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Your guide to planning for a joy-filled future



Rules for Retirement by Age

Here's a look at important ages and the retirement rules they set in motion. Knowing about them might help you with your retirement planning.



Retirement Checklist Add-Ons

If you haven't retired yet, you might have a retirement checklist started. To give you an idea of what your financial obligations and income will be in retirement, and to help you plan for a few other things you might not have thought of, here are four more items to include.



Secrets to a Happy Retirement

We all know how important it is to plan ahead for a financially secure retirement. But there's another vital aspect of retirement you should carefully consider, and that's your happiness and well-being.

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Rules for Retirement by Age

Plus tips to help you plan ahead

Whether you're already retired or looking forward to it in the next few years, you probably know how specific ages can trigger the retirement decisions you make. For example, Medicare begins at age 65. And it seems the closer you get to retirement, the faster those age-related events come.

Here's a look at important ages and the retirement rules they set in motion. Knowing about them might help you with your retirement planning.

! Age 50

Turning the big 5-0 can be a wake-up call. One minute you're cruising along in your 40s, the next minute you're receiving membership invitations from senior citizen organizations.

From a retirement prep standpoint, the IRS also has an invitation. To catch up on retirement savings goals, employees age 50 can contribute an additional \$6,000 – for a total of \$24,000 – to their 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan in 2018. People 50 and older can also kick in an additional \$1,000 – for a total of \$6,500 – to their IRA or Roth IRA.

Before you increase your contributions, check with your employer's human resource department, financial advisor and tax advisor. There might be some restrictions based on a retirement plan you may have at work, the type of plan it is, and your total income that could limit how much (or how tax-deductible) those contributions can be.

! Age 55

People with 401(k)s or federal Thrift Savings Plans who leave their employer after turning age 55 might be able to take withdrawals from the retirement account connected with the job they most recently left, without having to pay the 10 percent early withdrawal penalty. Review your plan document, and check with your former or current employer's human resource department and your tax advisor to find out if this plan feature exists, and if it might be something to consider for your financial circumstances.

! Age 59½

59½ is the first age at which you can take withdrawals from your IRA and other retirement accounts without having to pay a 10 percent early withdrawal penalty. Exceptions exist, however. You might not be able to withdraw from a 401(k) if you still work for the employer that offers it. And if you have an IRA CD, you could be penalized for taking funds out before the CD matures.



Rules for Retirement by Age

Plus tips to help you plan ahead *continued*

! Age 62

This is the first age at which you can begin receiving Social Security benefits, but you'll receive a larger benefit if you wait until your full retirement age (FRA) to apply for benefits. FRAs range from age 65 to 67, depending on the year in which you were born. You can receive an even larger benefit if you wait until age 70 to start collecting Social Security. Your annual cost-of-living adjustment (COLA) is also based on your benefit, so if you start taking Social Security at 62 with reduced benefits, your COLA will be lower, too. Before making this important, one-time decision, read up on Social Security rules and consult with a trusted financial planning professional.

! Age 65

This is when Medicare begins, and most Americans should enroll when they become eligible (three months before their 65th birthday). To learn more about how Medicare eligibility works with your existing health insurance if you're still

working, be sure to talk with your organization's benefits manager or a representative in your human resources department.

! Ages 70 and 70½

If you haven't begun receiving Social Security benefits, you must do so at 70. The other milestone this year occurs at age 70½. At this age, "required minimum distributions" kick in, and you must begin taking distributions from your IRAs and previous employer 401(k)s. Check with a financial or tax advisor, as there are steep penalties for not following required minimum distribution rules.

! At Every Age

At every stage of your life, it's important to make sure you have a financial plan, and that it's keeping pace with your life. A trusted financial advisor can help you make the best choices for you and your family as the years pass and your circumstances and priorities change.

Today Is the First Day of the Rest of Your (Financial) Life

The earlier you start planning for retirement, the more time you have to lay the groundwork for a bright financial life. But no matter how old you are, it's never too late to:

- Create a budget and track your expenses.
- Avoid racking up a lot of credit card debt.
- Build up an emergency fund.
- Contribute to an IRA, 401(k), 403(b) or similar account. Thanks to the benefit of compounding growth, even small contributions can add up over time.
- If your employer offers a company match with its 401(k) or similar account, make sure to contribute what you need to in order to fully take advantage of the match – it's free money.

Retirement Checklist Add-Ons

4 to-do's to include on your list

If you were to make a checklist of to-do's as you plan ahead for retirement, what would be on your list? Set a target date to retire? Build your savings? Review your investments? Learn about Social Security and your Medicare options? All of these things are important and, naturally, should be included on your checklist.

Now, to give you an idea of what your financial obligations and income will be in retirement, and to help you plan for a few other things you might not have thought of, here are four more items to include on your checklist.

1 | Calculate your expenses and make a retirement budget.

Adding up your current expenses can give you a clearer idea of how much money you may need in retirement. It can also help you better plan for the lifestyle you want. Start by making a list of spending categories, such as:

- housing (rent, mortgage, taxes)
- utilities
- transportation
- food and entertainment
- Internet, cell phone, cable TV and other subscription services
- loan and credit card payments
- home maintenance and repairs
- insurance premiums
- out-of-pocket medical costs

Next, create your retirement budget based on your spending categories and your guaranteed income (discussed next). Be sure to factor in inflation. A reasonable estimate, according to experts, is 3 percent each year. Also consider how your health care needs – and the associated expenses – may change over time.

2 | Determine what your guaranteed income will be.

Once you have an idea of what your expenses will add up to in retirement, figure out what your guaranteed income will be. Two common sources of guaranteed income are Social Security and employer pensions. Some experts suggest this income should cover 90 to 100 percent of your expenses. But, if you're like many people, chances are it won't.

For those who need additional guaranteed income in retirement, a fixed annuity can be another



Retirement Checklist Add-Ons

4 to-do's to include on your list *continued*

source to rely on. An annuity can be set up to provide a guaranteed income for the rest of your life.

Annuities can be convenient even after you retire and want a secure place to transfer 401(k) funds or pension funds. By simply paying an insurance company a sum of money (premium), you can set up a payout schedule that fits your needs. The total amount you receive depends on the amount of money you've deposited. If you're interested in learning more about annuities, talk with an insurance professional who can explain all of the options available to you.

3 | Pay down debt.

Carrying debt into retirement can put a strain on a fixed budget. If you have any of the following types of debt, experts suggest you pay them down before you retire:

- **Mortgage.** Beginning a few years before you leave the workforce, try to make extra payments toward your principal each month. If your budget simply won't stretch that far, you might consider downsizing. The money you save on housing (including utilities, insurance and taxes) can go into savings or help cover other expenses when you retire.
- **Car payment.** If you know you won't be able to afford your current monthly car payment after you retire, consider trading in your vehicle for a less expensive one. Try to find one you can pay for in cash, or take out a smaller loan you can pay off quickly.
- **Credit cards.** If you've only been paying the minimum amount due on your credit card each month, start paying a little extra. Even better, if your budget will allow, make biweekly payments. That way, you'll be paying both interest and principal, and your balance will be paid off quicker. If you have more than one credit card, start paying down the one with the highest interest and work your way down.



Retirement Checklist Add-Ons

4 to-do's to include on your list *continued*

4 | Plan for insurance coverage in retirement.

There's a good chance you'll lose your work benefits when you retire. So, in addition to making decisions about your Medicare coverage when you retire, you'll also want to think about replacing the group insurance benefits you'll lose, such as:

- **Dental insurance.** Medicare doesn't pay for routine dental care or common procedures like fillings, crowns and root canals. This can leave you with a significant coverage gap – leading to big out-of-pocket dental bills when you're on a fixed retirement income. Even though your teeth may be in good shape now – just like your health – it's hard to predict what the future will bring. By replacing your group coverage with an individual dental insurance policy, you'll have help paying for the dental care you may need throughout retirement.
- **Life insurance.** By not replacing the group coverage you lose when you retire, your loved ones could be left to pay your final expenses along with any other debts you may leave behind. Because your life insurance needs change as you reach different milestones in your life, it's a good idea to talk with a licensed insurance professional who can help you determine what amount of coverage may be right for you.

Whether you intend to retire next year, in a few months or in a few years, it's never too early to make your own checklist and plan ahead. The more prepared you are, the more confident you'll feel about the decisions you'll need to make – and the plans you put in place – to secure your retirement.



Secrets to a Happy Retirement

Look ahead to a new and exciting chapter

We all know how important it is to plan ahead for a financially secure retirement. But there's another vital aspect of retirement you should carefully consider, and that's your happiness and well-being.

While many people may look forward to a more relaxed pace in retirement, others might feel apprehensive as they face their newfound freedom from a structured work life. Without their job to go to every day – and without the socialization that often comes with it – some people might wonder what they're going to do all day.

Plan to Stay Busy, Connected and Engaged

Making plans for how you'd like to spend your golden years ahead can be well worth the effort. Research indicates that maintaining a sense of purpose and meaning in your life can lessen the effects of aging and possibly lead to a longer life.

So, as you approach retirement – or even if you're already retired – here are some tips to help you discover new and creative ways to enjoy the fulfilled and enriched life you deserve.



🔒 Keep a schedule. This doesn't mean you should keep the same hours you had before you retired – or plan out every hour of the day. Rather, try to establish new routines that allow you to maintain a sense of structure and make the most of each day. Start by making a list of things you'd like to accomplish – daily and weekly. Then, schedule the activities you enjoy doing on a regular basis. Managing your free time can go a long way in keeping boredom and loneliness away, while helping you to stay active and involved – on your own terms.

🔒 Keep your close family connections. If you have kids and grandkids – and already enjoy spending time with them – you know how emotionally gratifying it is. But did you also know being close to your loved ones can be good for your long-term health? According to a recent study, adults of retirement age who are actively engaged with their kids and grandkids are more likely to live longer. Even if you happen to live far apart, technology – things like text messaging, video chats, email and social media – can help you stay connected.

Secrets to a Happy Retirement

Look ahead to a new and exciting chapter *continued*



And always remember, the benefits of having a close relationship with your loved ones run both ways – your kids and grandkids will thrive just as much by having you in their lives.

🔒 Stay active. Regular physical activity can help you maintain your health and reduce your risk for a number of chronic diseases. That's why it's important to continue making exercise a part of your routine, even as you age. If you don't already exercise on a consistent basis, it's never too late to start. Just be sure to talk with your doctor before you begin any type of exercise program.

🔒 Be social. Do your best to maintain your current friendships and make new friends. Numerous studies show the benefits of being social as we age. Make it a point to schedule an afternoon or evening out or meet up with friends at least once a week. Not only can it help prevent loneliness in retirement, it's good for your health.

🔒 Learn new things and pursue your interests. Is there something you've always wanted to do – like learn how to play an instrument, take a painting class or hone your woodworking skills? Retirement can be an opportune time to follow your dreams and take up a new pastime, or pursue a former hobby or interest you may have given up years ago. Perhaps you'd even like to hit the books and go back to school. Many colleges and universities make it easier for people over 60 to return to the classroom by offering tuition at a reduced rate – or for free. Your local library might also offer classes for adults at no charge.

🔒 Keep working. Many people find fulfillment in working at a part-time job they enjoy, or even starting a second career in a field that more closely matches their interests. Perhaps you've always dreamed of turning your hobby into a business, or using your knowledge and skills to start your own company. If you're up for it, why not give it a try? The most important thing is to stay busy, whether you're working, volunteering or pursuing your interests.

Secrets to a Happy Retirement

Look ahead to a new and exciting chapter *continued*



🔒 Volunteer. According to a recent survey of retired people, helping others in need – rather than focusing only on themselves – was their greatest source of happiness. There are numerous opportunities for you to volunteer; the key is to find the ones that best fit your time, talents and interests. For volunteer ideas, read “Looking for Volunteer Opportunities?” that accompanies this article.

Looking for Volunteer Opportunities?

Volunteering helps others, but it also provides you with many benefits – one of which could be a new sense of purpose and meaning in your life as you transition to retirement.

If you’re looking for volunteer opportunities that might tap into your interests and skills, try these websites:

VolunteerMatch.org – This website allows you to search for opportunities by typing in your ZIP code and keywords describing the types of organizations or activities you’re interested in.

PointsofLight.org – Each year, this organization connects millions of volunteers with organizations around the world in need of help. Search for opportunities in your local community based on your areas of interest.

Idealist.org – Search for volunteer opportunities based on your interests and location.

Just the thought of transitioning into retirement can bring about a lot of mixed emotions. But with a little forethought and planning, retirement can be the beginning of a new and exciting chapter in your life.

Information from:

Rules for Retirement by Age

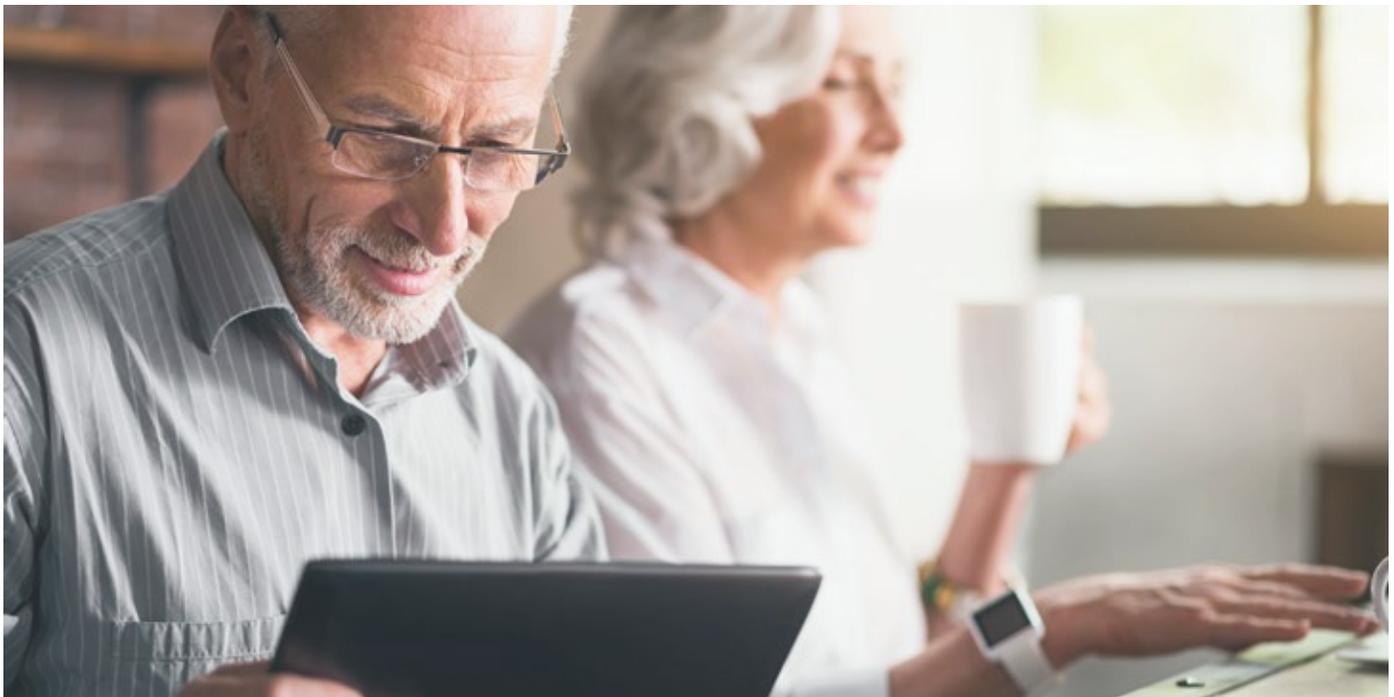
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