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Michael Jordan, perhaps the greatest basketball player who ever lived, once said:

"Winners don't just learn the fundamentals, they master them. You have to monitor your fundamentals constantly, because the only thing that changes will be your attention to them."

But fundamentals are not just about succeeding on the court. They are crucial to your financial success too. Understanding the basics of financial planning can be the difference between achieving *all* your goals, or none of them.

For that reason, today we will examine one of the basics of financial planning. Let's look at several important retirement dates.

Back to Basics:

1. **Age 55.** When you turn 55, you can start making penalty-free withdrawals from your 401(k). Withdrawing money before this is possible, but it usually results in some pretty stiff fines. That said, making withdrawals at age 55 is usually *not* recommended. It's better to keep your money where it is or roll it over to an IRA. Unless you are retiring at a *very* young age, chances are you will have far greater need for that money later in life.

2. **Age 59½**. This is when you can make penalty-free withdrawals from both your 401(k) and your IRA accounts. Again, I recommend holding off unless you plan on retiring right away.

3. **Age 62.** This is the earliest you can receive Social Security benefits. That said, your benefits will decrease if you receive them early. Are you noticing a pattern here?

4. **Age 65.** Age 65 is when you can sign up for Medicare. Tip: Applying three months *before* you turn 65 may help you save money on certain costs, like prescription drug coverage. This is also when people born before 1943 reach their **full retirement age**, or FRA. More on this a moment.

5. **Age 66-67**. Those born between 1943 and 1959 reach their FRA at 66. For those born in 1960 or later, the age is 67.

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What is your "Full Retirement Age"?

The Social Security Administration defines your full retirement age as *"the age at which a person may first become entitled to full or unreduced retirement benefits."*[1] As mentioned, you can start receiving benefits at age 62, but the amount will be reduced. On the other hand, if you wait until your full retirement age, you will receive the full amount of benefits to which you're entitled.

Assuming your FRA is 67, here's how it works[1]:

If you take benefits at age…	**Your benefits will be reduced by around…**
62	30%
63	25%
64	20%
65	13.3%
66	6.7%
67	No reduction

1. **Age 70**. While waiting until your full retirement age ensures unreduced benefits, waiting even longer can help maximize them. As the Social Security Administration puts it, *"Retirement benefits are increased by a certain percentage (depending on date of birth) if you delay your retirement beyond full retirement age."*[2] However, this only lasts until your 70th birthday. One you hit the big 7-0, there's no point in waiting any longer, because your benefits will not go up.

2. **Age 70½**. This is the age at which you must take **required minimum distributions**, or RMDs, from any pretax retirement accounts like your 401(k) or IRA. This means you must start withdrawing money from these accounts to help pay for retirement. If you fail to withdraw at least the minimum amount, you will be required to pay a penalty.

It is important to remember these dates, because they can help you avoid penalties and maximize your savings.

[1] "Full Retirement Age," *Social Security Administration*, https://www.ssa.gov/planners/retire/retirechart.html

[2] "Delayed Retirement Credits," *Social Security Administration*, https://www.ssa.gov/planners/retire/delayret.html