Milestone Birthdays

It's so important to make the most out of planning your retirement. In most cases, if deadlines aren't met, you may miss out on receiving benefits or cause fees and penalties. Several of these milestones present you with options that could significantly impact whether you have sufficient income to achieve your retirement goals. Of course, sound retirement planning is more than just a matter of paying attention to these age milestones. Being aware of their significance and making the right decisions with your financial advisor when each one comes along can certainly improve your odds of achievement!

Age 50

At age 50, workers in certain qualified retirement plans may begin making annual catch-up contributions in addition to their normal contributions. Those who participate in 401(k), 403(b), and 457 plans can contribute an additional $6,000 per year. [1] Those who participate in Simple IRA or Simple 401(k) plans can make a catch-up contribution of up to $3,000. And those who participate in traditional IRAs can set aside an additional $1,000 a year. [2]

Age 55

If you separate from your job, you may be eligible at this age to take an income distribution from your 401(k) or another employer-sponsored plan without paying an additional 10 percent tax for early withdrawal. Although there are exceptions to this “age 55 rule,” there are also ways to use it to your financial advantage depending on your needs and situation.

Age 59½

At age 59½, workers may start making withdrawals from qualified retirement plans without incurring a 10% federal income-tax penalty. This applies to workers who have contributed to IRAs and employer-sponsored plans, such as 401(k), 403(b), and 457 plans. Keep in mind that distributions from traditional IRAs, 401(k) plans, and other employer-sponsored retirement plans are taxed as ordinary income.

Age 62-67

At age 62, workers are first able to draw Social Security retirement benefits. However, if a person continues to work, those benefits will be reduced. If you wait until at least age 67, that is considered your "full retirement age," meaning the age at which you may first be entitled to receive unreduced Social Security benefits. And, if you wait until age 70, you'll get the biggest possible monthly benefit for Social Security—potentially as much as 76% larger than if you had started receiving payments at age 62.

Age 65

At age 65, individuals can qualify for Medicare. The Social Security Administration recommends applying three months before reaching age 65. It's important to note that if you are already receiving Social Security benefits, you will automatically be enrolled in Medicare Part A (hospitalization) and Part B (medical insurance) without an additional application. [3]

Age 70½

At age 70½, participants must begin taking required minimum distributions (RMDs) from traditional IRAs and qualified retirement plans, such as 401(k), 403(b), and 457 plans. RMDs are based on your account balance and life expectancy. Thus, it's important to do your RMD calculations correctly, and it's equally important to satisfy your RMDs without compromising your overall financial strategy and potentially putting your retirement goals at risk.

Whatever age milestone you may be at or approaching, keep in mind that retirement planning in today's complex and uncertain financial environment shouldn't be a "do-it-yourself" activity for most people. The far better alternative is to find and work with an experienced, qualified independent financial advisor. Find someone who makes client education a high priority, who has a specific and consistent vision, and who specializes in helping clients address the unprecedented challenges unique to today's generation of retirees and near-retirees.

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1. The catch-up limit is adjusted in $500 increments.
2. f you reach the age of 50 before the end of the calendar year.
3. Individuals can decline Part B coverage because it requires an additional premium payment.