RETIREES FACE A DIFFERENT TYPE OF "R & R"

Reviewing and Revising Your Plan

Following are some options to consider if you aren't on track to retire when you would like or you don't expect to have enough money saved to live your desired lifestyle in retirement:

Delay retirement

A logical solution if you face a retirement funding shortage is to delay retiring. Working longer means your retirement savings can continue to grow and you'll reduce the number of years that you'll be withdrawing from your savings.

Meanwhile, for every year that you delay collecting Social Security benefits between your normal retirement age (currently ages 66 to 67 for those retiring right now) and 70, you'll increase your annual benefits by 8% for the rest of your life. On the other hand, if you take benefits at age 62, your monthly benefits would be reduced by at least 25%. If you live beyond your early 80s, then you'll end up better off by delaying your Social Security benefits.

Be wise, hold steady

Maintain a reasonable annual withdrawal rate of your retirement account balance. Studies indicate that if you make conservative withdrawals of your retirement savings each year, your savings will have a better chance of lasting as long as you. Also, by holding your level of withdrawals steady, rather than increasing them at the rate of inflation, you may improve your chances of not running out of money in your retirement.

Keep a foot in the door

Either as part of a gradual transition into retirement or an ongoing plan, earning money from a part-time job could help you meet expenses in retirement. Many retirees also enjoy the continued social interaction with people in the working world.

Pay tax now

Shifting when you receive a tax benefit on a retirement account could make a big difference. For example, by converting from a traditional IRA to a Roth IRA, you'd transfer a tax reduction from the current year to the year in which you withdraw your retirement savings.

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You may have to tighten your belt and pay more taxes now, but your money has the potential to grow and compound over time, and qualified withdrawals could be tax free. This could be beneficial if you expect tax rates to be higher in the future.[1]

Keep saving

Retirees in their 60s who have earned income can keep contributing to a traditional or Roth IRA if their income is within eligible levels each tax year.

[1] Traditional IRA account owners should consider the tax ramifications, age and income restrictions in regards to executing a conversion from a Traditional IRA to a Roth IRA. The converted amount is generally subject to income taxation. The Roth IRA offers tax deferral on any earnings in the account. Withdrawals from the account may be tax free, as long as they are considered qualified. Withdrawals prior to age 59 or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. In 2020, due to the CARES Act, you can withdraw as much as $100,000 from a Roth or traditional IRA without paying a penalty for being under age 59½ if you have been affected by COVID-19.

Wherever your retirement goals take you, we can help you get there.

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