

KNOW THE MILESTONES TO RETIREMENT

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Why It Matters:

- Preparing for retirement can seem daunting, but little steps along the way can make it easier.
- Know the “milestones” you’ll hit as you turn 50, 55, 62, and more.
- You may be underestimating your lifespan and how long you’ll live in retirement.

Americans are living longer than ever, which is changing the way many think about retirement. It can take hard work to prepare for a 30- or even 35-year retirement over a 40-year career.

But just like the saying about eating an elephant* (one bite at a time) – there are milestones and smaller steps you can take along the way. Breaking down the journey can make the bigger goal feel more manageable.

Don’t underestimate how long you could spend in retirement.

The [Longevity Illustrator](#) from the Society of Actuaries and American Academy of Actuaries can be a good place for a reality check. Consider this, according to the illustrator, a 35-year-old man today has a 40% chance of living to 90, and a 1 in 4 chance of living to 95. A 35-year-old woman has a 1 in 3 chance of living to 95. Living long is great, if you have the financial resources and good health to enjoy those extra years.

You’ve probably already started

The encouraging thing is most adults have already started preparing for retirement income, laying the bedrock through Social Security deductions starting with their first job. And the federal government encourages workers to build on that base with contributions to a workplace retirement plan. Combined, steady contributions to both can help workers start preparing for retirement before they’re even thinking about it.

As you approach your 50s, however, things may start to feel more pressing. That’s where you can look for milestones at different ages.

The many perks of growing older

Age 50: Starting at age 50 you can make “catch-up” contributions to retirement accounts. In 2018, that’s an extra \$1,000 allowance to an individual retirement account (IRA) and \$6,000 to a workplace account such as a 401(k) or 403(b).

Age 55: Here's one many people may not know. Those with a health savings account (HSA) are allowed a "catch-up" of \$1,000 (in 2018) in addition to the standard contribution limit (2018: \$3,450 single, \$6,900 family). That's money that can be set aside tax-free and, if used for a qualified medical expense, spent tax-free.

Also at 55, if you're ahead of schedule, there may be ways for you to begin withdrawals from your retirement account prior to 59 ½ without a tax penalty. Ask your financial professional about "separation from service" and 72(t) exemptions.

Age 59 ½: Most retirement accounts can be accessed for any reason without the 10% additional tax penalty. (A Roth IRA must be held at least five years prior to distributions to avoid the 10% penalty).

Age 60: Those who lost a spouse become eligible to collect a Social Security survivor's benefit at 60, provided the deceased spouse was eligible and the survivor did not remarry prior to 60.

Age 62: In the month following your 62nd birthday you become eligible to collect Social Security retirement benefits. Keep in mind, benefits collected prior to full retirement age are subject to the earnings limit and will be less than if you waited until full retirement age.

Age 65: Congrats, you're eligible for Medicare. If you're not already collecting Social Security, enroll in Part A three months prior to your 65th birthday, to avoid a gap in coverage. (If you're not still covered by an employer, you may also need to enroll in Part B to avoid future penalties.)

Age 66-67: You've made it to full retirement age for Social Security benefits, which falls between 66 and 67. It depends on your year of birth. Don't forget, you can increase those monthly benefits by waiting to claim, up to age 70.

Age 70 ½: The age when required minimum distributions (RMDs) are due. The IRS says you'll have to start taking money from, and paying tax on, traditional IRAs and traditional workplace retirement accounts (unless you're still working for the company, some exceptions apply.)

Things to Consider:

- Think about taking advantage of "catch-up" retirement contribution limits as you become eligible.
- Try out the [Longevity Illustrator](#) from the Society of Actuaries and American Academy of Actuaries to get an idea of the odds of living a very long life.
- You don't have to do many of the things offered at age milestones, but knowing you have options can help.