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Here's Your Retirement Countdown

Provided by Steven Best

If you want to enjoy a comfortable retirement lifestyle, you don't need to have been born rich or even to have earned scads of money during your working years. But you do need to make the right moves at the right time – which means you might want to start a “retirement countdown” well before you draw your final paycheck.

What might such a countdown look like? Here are a few ideas:

- Ten years before retirement – At this stage of your career, you might be at, or at least near, your peak earning capacity. At the same time, your kids may have grown and left the home, and you might even have paid off your mortgage. All these factors, taken together, may mean that you can afford to “max out” on your IRA and your 401(k) or other employer-sponsored retirement plan. And that's exactly what you should do, if you can, because these retirement accounts offer tax benefits and the opportunity to spread your dollars around a variety of investments.

- Five years before retirement – Review your Social Security statement to see how much you can expect to receive each month at various ages. You can typically start collecting benefits as early as 62, but your monthly checks will be significantly larger if you wait until your “full” retirement age, which will likely be 66 (and a few months) or 67. Your payments will be bigger still if you can afford to wait until 70, at which point your benefits reach their ceiling. In any case, you'll need to weigh several factors – your health, your family history of longevity, your other sources of retirement income – before deciding on when to start taking Social Security.

- One to three years before retirement – To help increase your income stream during retirement, you may want to convert some – but likely not all – of your growth-oriented investments, such as stocks and stock-based vehicles, into income-producing ones, such as bonds. Keep in mind, though, that even during your retirement years, you'll still likely need your portfolio to provide you with some growth potential to help keep you ahead of inflation.

- One year before retirement – Evaluate your retirement income and expenses. It's particularly important that you assess your health-care costs. Depending on your age at retirement, you may be eligible for Medicare, but you will likely need to pay for some supplemental coverage as well, so you will need to budget for this.

Also, as you get closer to your actual retirement date, you will need to determine an appropriate withdrawal rate for your investments. How much should you take each year from your IRA, 401(k) and other retirement accounts? The answer depends on many factors: the size of these accounts, your retirement lifestyle, your projected longevity, whether you've started taking Social Security, whether your spouse is still working, and so on. A financial professional can help you determine an appropriate withdrawal rate.

These aren't the only steps you need to take before retirement, nor do they need to be taken in the precise order described above. But they can be useful as guidelines for a retirement countdown that can help ease your transition to the next phase of your life.

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The Tradition
ON FRIDAY NIGHTS.

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24 HOURS

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THE SABINE CARDINALS
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