

Knowing when to retire is one of the most important financial steps you will ever take in your life ... so how do you know when the time is right?



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The background of the bottom section is a blue-tinted photograph. It shows a hand in the upper left corner moving a silver chess king piece. Below the piece, there are stacks of US dollar bills and other chess pieces, including a pawn and a rook. The overall scene suggests strategic financial planning.

INVESTMENT
Strategy
NEWSLETTER

Financial News You Can Use
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FINANCIAL NEWS YOU CAN USE

Knowing the Right Time to Retire

Use your age to create mile markers on the road to retirement.

Knowing the right time to retire used to be a lot easier. You worked a certain number of years and then earned the right to a wonderful retirement. However, longevity has been the game changer for some time now. Yes, the good news is you are living longer. And yes, the bad news is you are living longer. Now, with so many potential years to plan for in retirement, it is harder to determine the precise time to take this step. Unless you are forced into retirement, this is one of the most important financial decisions you might ever make. While biological age is just a number, it is also used to mark the miles on your road to retirement. Let's take a look at the key destination points.

AGE 50

The age when you can take advantage of catch-up contributions (up to \$5,550 in 2014), which allows you to increase the amount you can contribute to 401(k)s or other retirement accounts. How does your nest egg look? You may need an extra-disciplined approach to saving and a defined benefit plan offers that platform. An important part of your retirement savings plan can be simplified to your savings rate as a percentage of your take home pay.

AGE 59½

This is the age you always see in the disclosure. It's the age when you become eligible for penalty-free distributions from qualified retirement accounts. If you make any non-qualifying withdrawals before you hit this age, you are subject to a 10% penalty. After that day, you can take out as much as you want, whenever you want.¹

AGE 62

This is the age you are eligible to collect Social Security benefits. Most think it is wise to wait as long as possible before applying, and they're right. If you do collect as early as you possibly can, the month after you turn 62, your monthly take is 25% less than if you had waited until full retirement at age 66.² Plus, the



longer you wait to collect Social Security, the more it can also mean for a survivor benefit for your spouse.

AGE 65

This is the age when you are eligible to enroll in Medicare and Medicare Part B. But remember, Medicare only pays a certain portion of your healthcare expenses. Think about this: A couple retiring this year will need approximately \$250,000, on average, to cover medical expenses in retirement, according to a recent study. The research is based on projections for a couple of 65-year-olds retiring this year with Medicare coverage.³ The point is, even when you are able to leverage government programs you are eligible for, you still need a personal nest egg to help augment a comfortable retirement.

AGE 66

This is the age when you may qualify for full Social Security benefits without earnings cap restrictions. It's also the age delayed retirement credits (worth 8% a year but end at age 70) start kicking in. This is a good age to consider collecting Social Security, but the longer you wait, the more you collect in the long run. Can you wait until age 70?

AGE 70

If you've waited this long, you get the maximum Social Security benefit and you are also eligible for other retirement strategies. Your Social Security benefits further increase by 7 to 8 percent for each year you delay claiming, up until age 70. After this year there is no additional incentive to put off collecting your due.

AGE 70½

At this age you are required to take distributions from qualified retirement accounts. Work with your financial advisor to review your distributions and ensure you have an income withdrawal plan that reflects your retirement objectives.

AGE 80+

By the time you reach age 80 and beyond, you may feel you've passed all of the important retirement mile markers, but there may well be more on the road ahead. You need to keep reviewing your retirement assets and plans for any adjustments you can make. It's also a good time to start thinking about end of life decisions, and leaving legacies. A man reaching age 65 today can expect to live, on average, until age 84.3. A woman turning age 65 today can expect to live, on average, until age 86.6. And those are just averages. About one out of every four 65-year-olds today will live past age 90, and one out of 10 will live past age 95.⁴

While the prospect of living longer has changed the way we approach retirement, reaching certain ages is what marks the road map on this journey. And if you're feeling old, just remember what Mark Twain said:

"Age is an issue of mind over matter. If you don't mind, it doesn't matter."

¹ Guina, Ryan. "Roth IRA Withdrawal Rules – How and When You Can Access Your Funds." Cash Money Life Personal Finance Investing Career RSS. 28 Nov. 2012

² Maxfield, John. "Social Security: Why Taking Benefits at 62 Is Smarter Than You Think - DailyFinance." DailyFinance.com. 31 May 2014.

³ "Study: Couples Retiring This Year May Need \$250,000 for Health Care in Retirement." OregonLive.com

⁴ "Social Security." Calculators: Life Expectancy. Social Security Administration

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