T. Rowe Price
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Retiring Smart

These steps can help you ease the transition into post-work life.

PHOTOGRAPH BY CECILIE_ARCURS

KEY POINTS

- There are advantages of continuing to work as you make the transition to full retirement.
- Delaying Social Security can increase the size of your monthly benefit substantially.
- Understanding your health care options can help you better plan for future expenses.
- Establishing a withdrawal strategy can help you make the most of your savings.

Baby boomers—members of one of the largest generations in our nation's history[1]—currently are at various stages of retirement, either in the period leading up to it or already retired. Many of these individuals are envisioning a long and active post-career lifestyle, and a sound financial strategy is an important component to achieving this goal. Consider the following suggestions to help you financially ease your way into retirement and make the most of the income you have available to you.

The choice to continue to work doesn't mean you must forgo all the pleasures of retirement.

1 Define your plan

When you think about retirement, how do you see yourself spending your time? Do you dream of traveling the world? Or do you want to spend more time with your family and friends? Perhaps you'll decide to take classes or volunteer more in your community. Many of these visions may resonate for you, and at the same time, you may determine you'd like to continue working part time or full time. "Today, people are approaching retirement more physically and professionally energetic, and many are choosing to stay in the workforce, in one capacity or another, for longer," says Judith Ward, CFP®, a senior financial planner with T. Rowe Price.

The choice to continue to work beyond what used to be considered the traditional retirement age of 65 doesn't mean that you must forgo all the pleasures of retirement. "If you've built up a nest egg, consider dialing down how much you currently save for retirement and instead spending more money on the activities that you may be putting off until full retirement—travel, learn, try new hobbies, or pay off debt," says Ward. "But keep contributing enough to your workplace retirement plan to get the full company match, if provided by your employer. You never want to turn away free

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Your monthly Social Security benefit will be nearly double if you start collecting at age 70 instead of age 62.

money." Continuing to work also means that your paycheck can help cover your current expenses, thus allowing your savings to continue to benefit from tax-deferred growth.

2 Consider your Social Security options

"Your decision to start taking Social Security benefits depends on a number of different factors, including your family medical history and personal circumstances as well as the retirement income you have available," says Ward. Although individuals can start collecting benefits as early as age 62, waiting longer may be more financially beneficial for some since the amount of monthly benefits increases for every year thereafter, up to age 70.

Your marital status also impacts your decision. You and your spouse can get the largest benefit from Social Security if you both wait until age 70 to begin collecting. Alternatively, one spouse can delay his or her benefit as long as possible until age 70 while the other spouse applies at retirement. In this case, it usually makes sense for the higher-earning spouse to delay until age 70, since the surviving spouse ultimately will receive the larger of the two Social Security benefit payments.

If you can wait until age 70, your monthly benefit will be almost twice as much as if you had started taking payments at age 62.[2]

It's a good idea to review your Social Security statement each year to make sure the earnings history is accurate and to see your benefit amounts at different retirement ages. This can help you better plan for the future, including coordinating benefits with your spouse, if applicable.

The Social Security Administration no longer mails paper statements to most people. If you haven't done so already, go to **ssa.gov** and set up your "*my* Social Security" account online.

3 Get to know Medicare

Medicare is the primary health program for retirees. You become Medicare-eligible at age 65 (regardless of your full retirement age, and exceptions may apply). And for the majority of people, you must enroll as early as three months before you turn age 65 and as late as three months after your 65th birthday. Delaying may result in penalties. It's important to understand and carefully evaluate your options to determine which plans are best suited for your situation. "Although the complexity can be daunting, understanding health insurance and medical costs can help you make financial plans with greater confidence," says Roger Young, CFP®, a senior financial planner with T. Rowe Price. You can get an idea of the premium costs and out-of-pocket expenses on **Medicare.gov**. You may need to explore alternative health care coverage options, including the purchase of coverage through your state's health care exchange, if you plan on retiring before age 65. (See "Making Informed Medicare Choices" on page 3.)

For individuals who continue to work, delaying retirement can translate into some real financial benefits, including the opportunity to continue your employee benefits, such as health insurance, which potentially offers significant savings. Keep in mind that individuals age 65 and older who still are covered under an employer's health plan may consider deferring Medicare coverage. This situation is rather complicated, so be sure to talk with your human resources office before you turn age 65 if it applies to you. Failing to take this action can result in some unpleasant surprises later.

What's Your Retirement Personality?

Are you a Freedom Seeker, Reinventor, Preserver, or Explorer?

Take our **five-question quiz** to reveal your retirement personality and start to imagine what your future might look like. Then, consider whether you're taking the necessary financial steps to get there.

Visit **troweprice.com/retirementpersonalityquiz**.

PHOTOGRAPH BY CHRISD600

4 Plan your withdrawals

"Starting to draw down your savings can be a challenge after years of putting money aside," says Young. "A strategy that includes a sustainable withdrawal rate and a sequence for which accounts to draw from can help ensure you make the most of your savings."

T. Rowe Price suggests the 4% guideline as a starting point for a withdrawal strategy. This means that in the first year of retirement, you should look to withdraw up to 4% of your retirement account balance. After that, reevaluate your spending needs each year. If you have multiple retirement accounts, the order in which you make withdrawals can help you manage your tax bill and maximize the continuing growth potential of your assets. You'll want to assess and plan out your strategy well before required minimum distributions (RMDs) kick in.

Transitioning into retirement takes thoughtful preparation. You've worked hard to save for your post-career life, so take time and effort now to help ensure a comfortable financial future. ■

VIDEO

Making Informed Medicare Choices

Your decisions can have a substantial impact on both the medical services you receive and the amount you may spend.

Nearly all Americans enroll in Medicare when they reach age 65. To make smart decisions about your health care, it's important to understand the options that are available to you and how they could affect your individual situation. Roger Young, CFP®, a senior financial planner with T. Rowe Price, offers insights on this topic.

Highlights:

- It's important to start researching your options at least six months before you turn age 65.
- **Medicare.gov** is the authoritative source for up-to-date Medicare information, including details about original Medicare (Parts A and B), Medigap plans, Medicare Part C (also known as Medicare Advantage), and Medicare Part D, which covers prescription drugs.
- You'll need to set aside savings to pay for the health care costs that Medicare and supplemental policies don't cover. If eligible, a health savings account offers a way to save specifically for health care, along with attractive tax benefits.

To view the video, visit **troweprice.com/medicarechoices**.

[1]census.gov. [2]ssa.gov.

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