



# Retiring Baby Boomers: 6 Steps for Smart Planning

These recommendations can help put baby boomers on the right track for the future.

## KEY INSIGHTS

- Track your spending carefully, and determine which expenses won't continue into retirement.
- Be aware of important filing dates for Medicare and Social Security benefits.
- Know how you are going to draw down your investments, keeping tax consequences in mind.



**Judith Ward, CFP®**  
*Senior Financial Planner*

The Pew Research Center estimates that 10,000 baby boomers are expected to turn age 65 each day from now until 2030. If you count yourself among this group—whether you plan on retiring next month or more than a decade down the road—consider these six recommendations to help you prepare for this next stage of your life:

### 1: Define your budget.

It's important to revisit and refine your spending assumptions as you get closer to retirement. Track your spending carefully, and identify which of your expenses will end once you stop working and which may increase in retirement. Focus on your basic living expenses first and then look to your discretionary items. This can help you match your income sources to your spending needs and show where you may have room for adjustments down the road.

### 2: Review your retirement accounts.

You've focused on saving money throughout your career, but now you must decide how to handle those assets—including whether to keep all existing retirement accounts separate or to consolidate them into one account. Talk with your company's benefits team to determine how to access the money in your retirement account—such as a 401(k)—after you retire. You may be able to leave the money in the plan and make periodic withdrawals, or you might need to roll those funds into an individual retirement account (IRA).

### 3: Decide where to live.

Are you staying put in retirement or considering a move? Don't assume you and your partner have the same plan in mind if you haven't discussed it yet. As you develop your shared vision of retirement, consider whether you want to stay in your home, downsize, or relocate, and keep in mind how your home equity may factor into your retirement plans.

#### 4: Create a Social Security strategy.

You can start taking Social Security benefits at age 62, but waiting just a few years will allow you to claim your full benefits. For individuals born between 1947 and 1954, your full retirement age (FRA) is age 66. If you were born between 1955 and 1959, your FRA is between age 66 and 2 months and age 66 and 10 months, depending on your birth year. And for those born in 1960 and later, your FRA is age 67. No matter your FRA, the longer you wait—up to age 70—the higher your lifetime benefit may be. Consider coordinating your claiming strategy with your spouse. For instance, to maximize the benefit for a surviving spouse, the higher earner should wait as long as possible before claiming benefits.

#### 5: Establish an income plan.

Decide which accounts you will draw on first in retirement. Conventional wisdom suggests starting with taxable accounts to benefit from lower long-term capital gains rates. Then, access tax-deferred accounts (i.e., 401(k)s or IRAs), where distributions are taxed at ordinary income rates. Finally, tap in to your tax-free accounts (i.e., Roth IRAs, Roth 401(k)s) last. This order may vary depending on your situation; seek out the advice of a

tax advisor if your situation is complicated. To learn more about withdrawal strategies, please visit [troweprice.com/withdrawalstrategiesreport](https://www.troweprice.com/withdrawalstrategiesreport).

#### 6: 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) but must enroll either three months before or up to three months after the month in which you turn age 65. Delaying enrollment may result in penalties. It's important to understand and carefully evaluate your options to determine which plans are best suited for your situation. You can get an idea of the premium costs and out-of-pocket expenses on [Medicare.gov](https://www.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.

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

---

## Marking the Milestones

Keep these important birthdays in mind as you get closer to retirement.

<b>50</b>	<b>55</b>	<b>59½</b>	<b>65</b>	<b>70</b>	<b>70½</b>	<b>72</b>
You can start making “catch-up” contributions to your retirement accounts, including your 401(k) and IRA.	You can begin to access money from your 401(k) penalty-free if you will be at least age 55 in the year you stop working.	You can start making penalty-free withdrawals from your retirement accounts, including any 401(k)s and IRAs.	Apply for Medicare, or you may be penalized.	Claim your Social Security benefits if you haven't already.	If you reached age 70½ <b>before</b> January 1, 2020, begin taking withdrawals, known as required minimum distributions (RMDs), from most retirement accounts.	If you reached age 70½ <b>after</b> January 1, 2020, begin taking withdrawals, known as required minimum distributions (RMDs), from most retirement accounts.

**INVEST WITH CONFIDENCE®**

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

To learn more, please visit [troweprice.com](http://troweprice.com).

**T.RowePrice®**

---

**Important Information**

This material is provided for general and educational purposes only and is not intended to provide legal, tax, or investment advice. This material does not provide recommendations concerning investments, investment strategies, or account types and is not intended to suggest any particular investment action is appropriate for you. Please consider your own circumstances before making an investment decision. T. Rowe Price group of companies, including T. Rowe Price Associates, Inc., and/or its affiliates, receive revenue from T. Rowe Price investment products and services.

T. Rowe Price Investment Services, Inc., Distributor.

© 2020 T. Rowe Price. All rights reserved. T. Rowe Price, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc.