Your Retirement Checklist

Planning for retirement is a lifelong process defined by distinct phases: the Accumulation Phase, represented by your working years; and the Distribution Phase, which you enter when you retire or begin tapping into your retirement savings. By implementing some basic planning steps during each of these phases, you can achieve your financial goals for retirement without undue stress. Following are some simple guidelines for your consideration.

The Accumulation Phase

During your working years, it is important to "set the stage" for a financially secure retirement by determining your retirement income needs. This task involves identifying your potential retirement expenses, as well as estimating the amount you might receive from each potential source of retirement income - e.g., Social Security, pensions, personal investments and employment earnings.

Doing this calculation will give you an idea of how much you may need to accumulate to finance a comfortable retirement. Don't be surprised if the numbers add up to be a large sum - after all, this money may need to support you for 20 or 30 years. Fortunately, there are ways to leverage your dollars.

Starting to save early and contributing as much as possible to employer-sponsored retirement plans and IRAs may help you to potentially accumulate more money. Why? Because investing in these tax-advantaged accounts means your money will work harder for you. The longer the money sits untouched, the more it can potentially compound.

Another important step to take during the accumulation phase is to craft an appropriate asset allocation. The term asset allocation refers to the way you divide your investment nest egg among stocks, bonds and cash. The combination of assets you choose should reflect your financial goals, tolerance for investment risk and time horizon. Be aware that your asset allocation will need to be adjusted periodically in response to major market moves or life changes.

The Distribution Phase

Once you are nearing retirement, it will also be necessary to craft a solid strategy for the distribution of your assets. For example, did you know that one of the greatest risks retirees face is the possibility of outliving their money? That is why it is essential to determine an appropriate annual withdrawal rate. This amount will be based on your overall assets, the estimated length of your retirement, an assumed annual rate of inflation and how much your investments might earn each year.

Another consideration: After age 70½, you will have to begin making an annual withdrawal from some tax-deferred retirement accounts, including traditional IRAs.[1] This is known as a required minimum distribution, or RMD. Preparing for this phase ahead of time may help reduce your tax burden, especially if your annual RMD may push you into a higher tax bracket.

Likewise, this is the time to make sure your final wishes are accurately documented and estate strategies are well underway to minimize the tax burden of your heirs.

Your Planning Checklist

Following is a list that can help you along the way. Find the category that best describes you. After answering the questions, bring the list to your financial advisor who can help make sure your retirement plan is on target.

Saving for Retirement

- ☐ Have you performed a comprehensive retirement needs calculation?
- ☐ Are you contributing enough to potentially reach your financial goal within your desired time frame by maximizing contributions to tax-advantaged retirement accounts, such as your employer-sponsored retirement plan and an IRA?
- ☐ Is your asset allocation aligned with your retirement goal, risk tolerance and time horizon?
- ☐ Have you determined if you might benefit from contributing to a traditional IRA or a Roth IRA?[2]
- ☐ Do you review your retirement portfolio each year and rebalance your asset allocation if necessary?

Nearing Retirement

- ☐ Do you know the payout options available to you (e.g., annuity or lump sum) with your employer-sponsored retirement account, and have you reviewed the pros and cons of each option?
- ☐ Have you considered your health insurance options, (i.e., Medicare and various Medigap supplemental plans or employer-sponsored health insurance), out-of-pocket medical expenses and other related health care costs?
- ☐ Have you contacted Social Security to make sure your benefit statement and relevant personal information are accurate?
- ☐ Should you purchase long-term care insurance? If so, have you investigated which benefits are desirable?
- ☐ Is your asset allocation properly adjusted to reflect your need to begin drawing income from your portfolio soon?
- ☐ Have you determined an appropriate withdrawal rate for your assets to help ensure that your retirement money might last 20, 30 or more years?
- ☐ Have you figured the amount of your annual required minimum distribution (RMD) and developed a strategy to reduce your tax burden once you’re required to begin taking RMDs?
- ☐ Have you appointed a health care proxy and durable power of attorney to take charge of your health and financial affairs if you are unable to do so?
- ☐ Have you reviewed all your financial and legal documents to make sure beneficiaries are up-to-date?

- Are you making effective use of estate planning tools (such as trusts or a gifting strategy) that could reduce your taxable estate and pass along more assets to your heirs while also benefiting you now?

[1]Withdrawals will be subject to taxation upon withdrawal at then-current rates. In addition, early withdrawals before age 59½ may be subject to a penalty tax.

[2]Restrictions, penalties and taxes may apply. Unless certain criteria are met, Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted.

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