

A One-Year Checklist to Retirement

One of the biggest lessons of the recent economy is that many people who thought they were financially ready for retirement...weren't.

The amount of money, investments and government support you'll need to retire comfortably is as individual as you are. Some people plan to work in retirement. Others have health issues or other financial responsibilities – kids' college bills, financial support for a senior relative -- to juggle with the everyday living expenses they'll face in retirement.

However, one thing is true for every potential retiree. It makes sense to get customized advice from qualified financial, tax and estate planning professionals at least one year before a retirement date is set. Here are some preparatory steps to take before you seek that advice and finally set a retirement date.

Figure out where the money is: The days of single-employer careers have been over for decades. And nearly 30 years into the world of widespread IRAs, 401(k) and other self-directed retirement plans, many potential retirees can't reliably state where all their retirement resources are. Start pulling together all available paperwork tracking personal, government and employer-based retirement assets get them into order. It's OK if you don't know immediately whether you have enough to retire – experts can help you with that. What's important right now is to identify everything you have so you can properly evaluate alternatives.

Identify debt: If you have significant home or consumer debt, that's a tough burden to take into retirement because most retirees find their income will be somewhat or significantly lower. That also goes for big car payments, tuition debt, medical debt or elder support. Debt is the first major reality check on retirement for most people.

Adopt a downsizing budget: Too many people wait until retirement to learn how to live like retirees. If you have a budget, review it for unnecessary spending that could mean anything from cutting back on lattes to selling a bigger, more expensive car and going with public transit or a used vehicle. If you've never made a budget, now's the time. Budgeting for retirement doesn't mean cutting out every treat and luxury – it simply means extinguishing debt, setting priorities and determining which current expenses can be cut or eliminated. As the real estate market recovers, you may want to plan to sell your current home in favor of a smaller one that can be bought for cash or minimally financed, or possibly you might decide to rent. You might want to try "going smaller" with vacations, cars, clothes and other needs or wants that can move to a lower price point. Do this while you're working, bank the money you save and you'll have excellent training wheels for retirement.

Evaluate your support from the government: A good rule of thumb is, “If you need Social Security or Medicare to retire, it’s best to keep working.” While both of these programs remain enormous help to many retirees, there’s always a chance of significant change in these programs, not to mention the continued discussion of moving the official retirement age well past 65. Definitely evaluate your government benefits, but do so in the context of what you’ve accumulated privately so you can maximize your government benefits when you need them.

Consider healthcare and long-term care NOW: If you’re lucky, your health is in great shape. But family history and events out of the blue may change that. If you retire before age 65, you won’t qualify for Medicare unless you are officially disabled. That means that you’ll have the responsibility to maintain private insurance that adequately meets your needs without huge financial risks that can come from uninsured care or procedures. Even as healthcare reform adds certain protections for under-65 policyholders, it’s more important now than ever to give attention to health matters and whether your current insurance strategy is adequate. As for long-term care, many Americans still forget that the bulk of home-based and nursing home care must be paid out of pocket. While long-term care insurance exists, age and health needs can potentially make it very expensive, so this is another important financial planning issue.

Find out if your dream retirement really works: It’s important to test your retirement dream. While many people dream of moving to a particular place, it’s important to vet that choice for financial and lifestyle repercussions. A particular location might have cheap housing and great healthcare options, but what about cultural attributes and tax issues? There are literally dozens of factors that should enter into your post-retirement lifestyle decision, and to jog your thought process, Nolo provides a [checklist](#) that might help.

January 2011 — This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Marnie Aznar, MBA, CFP®.