Jump Start Your Retirement Planning with this Retirement Checklist

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Reaching retirement is no small achievement. It has taken you years of hard work and overall commitment to saving and accumulating assets to get where you are today, so it is important to be ready for retirement to protect these assets. This article will help the pre-retiree to get a jump on retirement planning. If you're a post retiree, this checklist may provide a few tips that should also benefit you in retirement.

Most of us have read in magazines, newspapers to even TV broadcasts on the subject of retirement planning as well as numerous studies suggesting that:

- People have not adequately planned, and/or
- People have tended to put off the inevitable decisions about planning or financing our retirement.

Generally, unplanned retirement objectives remain unplanned. One of the unfortunate consequences of an unplanned retirement is the sense of not having enough money saved rendering a feeling of anxiety when trying to establish a plan for fear of making a mistake. Remember, it's common to fear the unknown.

The following checklist will provide suggestions to lessen the emotion associated with making a financial plan. These basic steps should enable you to jump start or re-energize your retirement planning and your thoughts about your future years.

1. For the Pre-Retiree – Gather retirement data by assessing your Textron retirement/health and 401(k) saving plan benefits.

If you are a pre-retiree at Systems Division of Textron, start gathering information is outlined in the newly released TSRA RBAC document entitled:

'Pre-Retiree Retirement Guidelines to Pension Benefits at Textron'.

This document will provide a roadmap of actions to guide the pre-retiree in developing an action plan for starting either immediately or at some point in the future. The document is available on TSRA's website (www.tsretirees.org) and is listed under *News You Can Use.* In it, it is suggested that each pre-retiree start gathering data at least five years before retiring and re-checking potential pension earning and payout amounts at least once per year. By gathering the data early, you will have a good estimate of your work-related retirement pension as well as current insurance benefits.

Your early proactive involvement will save you countless hours of iteration with your benefits coordinator and could make your retirement process easier, faster and relatively painless.

2. **Picking a Retirement Date - Before setting a retirement date, prepare a realistic overview of your time management, cash flow as well as learning from others how they have handled retirement successfully.**

   Part of future planning is selecting a date to commence your pension benefits. An additional part of that selection process is to familiarize yourself on how you are going to handle and manage these benefits and cash flow once you have stopped working.

   In addition to income, part of the equation of retirement is the spare time remaining in those future days and how you will fill that spare time. To help you pick a retirement date, get out a pad of paper and start collecting some of your retirement thoughts. Be realistic and tough on yourself; it's your retirement. Consider some alternatives, some "what if" questions. A few examples are provided below. These examples may also serve as a guide to those folks who have already retired. No one is exempt from preparing future goals and dreams in retirement.

   1) What would I do if the stock market crashed just before or once I have started retirement?
   2) Would I be flexible enough to return to the workforce if required?
   3) Do I have enough insurance (health or life) coverage?
   4) Do I need to purchase long-term-care insurance?
   5) Who are the providers of long-term-care insurance?
   6) What are the limitations relative to a long-term-care contract to the costs for coverage?
   7) What would I do if there were a major illness in my family?
   8) Could I live on less than what I projected for my monthly income?
   9) What could I do without if my monthly income were reduced?
   10) Will I need a Supplemental Insurance Plan (Medigap Plan) for costs not covered by original Medicare in retirement?
   11) Do I have or need a Health Care Proxy? Where do I get a proxy?
   12) Do I need a Power of Attorney document?
   13) At what point in my life do I need a last will and testament?
   14) Do I need an estate plan or the creation of a Trust instrument?

15) Have I adequately protected my assets to help reduce estate taxes?
16) Do I need a family records organizer to how do I start one?
17) Have I identified my beneficiaries and are they appropriately protected?
18) Will my hobbies provide continued enjoyment after I have stopped working?

Learn from others who are handling retirement successfully. Ask them how they spend their days or what they changed once they retired. Your retired friends can be one of your greatest assets in providing you the introductory steps into retirement.

3. Selecting Your Monthly Pension Payment Option – Maximizing your Pension Benefit While Protecting Your Spouse

Before you file for pension benefits from Textron Systems, review all the possible distribution options carefully before making your selection because you will not be permitted to change your pension payment option once payments have commenced. If you are married, it is suggested you consider the joint and survivor benefit option (either the 50/50 or higher) rather than the single life annuity plan. Although your monthly checks will be lower, you will be providing income for your spouse, who would otherwise lose that income should you pre-decease your spouse.

Review any current updates regarding minimum pension payout periods with your Fidelity Benefits Service Center Coordinator before you sign for pension commencement.

Be aware that once you elect to receive your retirement pension, there are ***no yearly cost-of-living adjustments.*** And yes, pension benefits from the Textron Systems Retirement Program are considered federally taxable income by the IRS in the year of benefit receipt. Depending on your state of legal residence all or a portion of your pension payment may not be subject to taxation. Please consult your State Department of Revenue concerning taxation of benefits.

4. Eliminate Major Debt(s) - Debt at any age can change the view on our retirement plans.

Any retirement plan can be crunched by debt. We all have or have had debt and know first hand the strain on one's personal budget. To make a major financial jump start on your retirement plan, select a specific or significant debt that you will be able to pay off before your retirement. Usually, this is our primary home. If your home is a major part of your monthly budget, then attack that debt for the purpose of smoothing out your financial roadmap to retirement.

5. **Set Aside Emergency Funds - The same rules apply for emergency funds in retirement as in our working years with one exception**

   You can never predict unexpected monthly expenses that can arise like repair bills for your automobile, home, or otherwise….so as in our working years, follow a modified cash-on-hand pattern in retirement by setting aside at least twelve (12) months worth of living expenses in lieu of the standard norm of 6 months in our working years. Why is this? In retirement, you will receive monthly benefit payments in lieu of your normal weekly pay stub with generally a lesser total monthly value. These funds should be as liquid as possible in order to gain immediate penalty free access. A few suggestions could be a bank money market, a regular savings account to even a separate dedicated interest bearing checking account.

   Remember, you should ***use these funds only if necessary*** and be sure to replenish the funds if used.

6. **Stretch out your retirement income - Prepare wisely and you'll have hopefully the best time of your life.**

   To make sure you don't outlive your money, experts suggest that you draw down not more than 4% of your investment assets (Traditional IRA's, 401(k)'s or other retirement assets as applicable) during the first several years of retirement and adjust that amount in future years dependent on inflation. If the 4% rule doesn't provide for sufficient income you may need to look for higher returns from your investment or increase your allocation percentage.

   Roth IRA's have not been included into the 4% rule because they are free from Federal & State taxation and can be taken any time after 59 ½ years of age and a minimum holding period of 5 years under current tax regulations.
   Whatever our financial circumstances are we should create a plan that works and stick by it and change if only required.
   Before altering your investment plan objectives remember……higher returns generally mean higher expose to risk. Take the time to review all adjustment options before making any change. Since everyone actual case is different it is suggested that you consult your personal tax advisor/planner concerning investment/distribution issues.

7. **Review your pre and post retirement insurance needs - Sometimes being a little older provides you with reduced yearly insurance premiums.**

   At least once a year, review all your insurance policies such as health, life, automobile and even homeowners. You may even find it beneficial to combine some types of insurance coverage, e.g., automobile and house, under one insurance carrier. Generally insurance carriers will offer a discount if you combine several separate/different policies. Multi-car discounts usually range upwards of 5%. Opting for a higher deductible can also result in premium discounts upwards of 30%. Remember, in Massachusetts when you reach 65 your automobile insurance premium could be reduced as much as 25%. If you have grown children and your house is paid off, you may no longer need life insurance or may be able to reduce the coverage amount. Take the time to review all your options before making any change to your current insurance policies.

8. **Create a Realistic Budget Estimate of Retirement Income - Before easing into retirement do a complete an honest estimate of your income versus expenses.**

Generating a retirement income plan is one of the first steps prior to retiring or if you have already retired. If you are already retired, you should update your plan yearly for fluctuations in your expenditure rate versus income. This will enable you to adequately address future costs against all projected income.

To begin, add up all your essential major living expenses (medical insurance, real estate taxes, food costs, electric and heating costs, travel allowances, clothing etc.) and match them agaomst your ***guaranteed income*** such as your projected Social Security benefit, company pension (based upon your distribution options), immediate or a variable annuity to bank savings, and certificates of deposit accounts. If there is a shortfall, you may want to delay your retirement date in order to increase your starting benefits. Otherwise you will have to fill the gap by drawing down your savings

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If you are a pre-retiree, you can access Social Security Administration's Retirement Estimator to calculate an estimate of your benefit by visiting their website (www.ssa.gov/planners/calculators.htm) and follow the prompts.

In the opinion of the writer, if you are at least 65 but less than 70½, I suggest you not count the value of income generated from Individual Retirement Arrangements (IRAs) and 401(k) accounts. These could be invested in instruments that carry wide fluctuations in price or dividend distributions between now and the time you decide to receive, or are required to take, a Required Minimum Distribution (RMD).

If you are a retiree and currently taking an RMD, use the dollar distribution(s) from these accounts in your yearly budget estimate since they are actual payouts from your investment vehicle(s).

Each person's case is different, so it is advised that you consult your personal tax advisor concerning IRA or 401(k) investment/distribution issues

9. Decide when to take Social Security Benefits - Delaying Social Security Benefits can yield higher monthly benefits.

At age 62 you can begin collecting your monthly Social Security. But if you do, your benefit could be reduced up to 25% or more for the rest of your life. Under current legislation, you can avoid a reduction in benefits if you wait until your normal retirement age (66 if you were born between years 1943 and 1954). See TSRA website archive article '*Getting Ready to Re*tire' March 2009. If you do not need the money right away, and if you can wait until you are 70, the benefit of delay is worth approximately 8% per year. Social Security benefits are calculated based on your thirty-five highest earning years in the workforce.

A paper copy of your estimated retirement benefit from Social Security was mailed to you yearly about three months before your birth month until April 2011. Unfortunately, federal budgets along with the migration from paper to digital formats have temporarily replaced paper copy printouts. Resumption of the paper copy mailing of projected Social Security benefits is expected to commence in October 2011, but only to those age 60 and above and only to those not currently receiving benefits.

*If you are not retired and still in the workforce, you can preview your estimated retirement benefit on line by contacting the Social Security Administration at (*www.socialsecurity.gov) and follow the prompts.

If you are currently working and have a paper copy or can access a copy of your statement from Social Security, be sure to check it over and validate your earning base for the previous year. Be sure to re-check your recorded earning every year. If there are differences between the reported dollar figures and your yearly W2 wage statement, be sure to inform the Social Security Administration promptly by calling a claims administrator in your local area and arranging for an appointment to review your personal benefit and options. Consult your local telephone directory for a Social Security office nearest you.

If you are a new recipient (retiree) who will be applying/receiving Social Security benefits, you will no longer have the option of receiving a paper check in the mail as did your parents. When you are ready to file for Social Security benefits you must have your payment benefit directly deposited into your bank or credit union account. It would be wise to have all the appropriate routing and deposit account numbers at the time of your application. One other option is a pre-paid Direct Express Debit MasterCard, but this option has been implemented on a trial basis and is only applicable to certain sections of the US. See TSRA website archive article '*Did You Know–Uncle Sam is Going Electronic*"–Update February 2011 for more information on this subject.

10. Covering Health Care Costs in Retirement - Understanding Medical Insurance Costs Helps Protect Life Savings.

If you are nearing 65, or will be at the time of your retirement, make sure you sign-up for Medicare Part A within three months prior to the month of your 65th birthday so that you are covered for hospitalization insurance, skilled nursing facility care and some home health care….*it's free*.

Although basic Medicare covers the bulk of your medical expenses, big gaps could remain in your health care coverage. To reduce those gaps, consider enrolling in Medicare Part B that helps cover the costs of doctor services, outpatient care, medical supplies and equipment, some preventative services x-rays, etc. For most Medicare beneficiaries, Part B will cost the insured $96.40 a month in 2010 and $110.50 per month in 2011. This price is for joint income filers with less than $170,000 in income. If your income is between $170,001 and $214,000, your monthly premium may be higher. For higher earners, this fee may increase in future years as well. For more specifics about the cost at your income level, consult the Medicare website (https://questions.medicare.gov/app/answers/detail/a_id/2306).

No one can predict the future cost of the Medicare or private health care insurance programs. All we know is that we must provide for our individual health care in some manner that will reduce the financial strain on our monthly/yearly budget. To minimize your out-of-pocket medical costs, you should consider a self-pay Supplemental Insurance Plan (Medigap policy). Medigap policies help pay for some of the Medicare deductibles and co-payments not covered under Medicare Part A or Part B.

If your normal pharmacy bills run a minimum of $75 per month or higher, you might also want to consider enrolling in a Medicare D Prescription Drug Plan. Unlike Medicare Part A & B, Medicare D has nothing to do with the government-run Medicare program. The Medicare Part D program is offered through private companies approved by Medicare. Although these supplementary insurance plans are expensive, they do provide added protection against having to use your life's savings. In all cases, shop around for the best price as well as the plan that best fits your insurance protection needs. At the start of 2011, Medicare D monthly plan premiums ranged from a low of $14.80/month to a high of $120.10/month, with annual deductibles ranging from $0 to $310 for Massachusetts subscribers.

Medicare has a time window, so familiarize yourself with the rules regarding enrollment to avoid a penalty for non-compliance with the enrollment window. For further details, refer to Medicare's website (www.medicare.com).

11. Plan on Securing a Retirement Investment Plan - One of the unfortunate consequences of being financially uninformed is knowing who to believe.

You should have a complete understanding of your savings and investments. If you need financial help for investment planning, seek an investment counselor who is a fee-only based advisor for the period of your discussions rather than a professional who personally manages your everyday transactions. Be your own financial manager and seek help for periods of uncertainty. Think of yourself as a CEO, because in reality, you are your own CEO until you need support in the decision-making processes of life.

Generally, savers are leery of taking advice from people or financial planners and brokers who are trying to sell something. One of solutions for this normal reaction is to be educated about the basics of retirement planning. For example, you may want to consider consolidating your assets as you near retirement to eliminate confusion in the management of your financial assets. Get involved with your future by reading a book or books on investment planning.

It is the fear of making a mistake that prevents people from becoming informed and thus seeking someone else to do it for them. No one is exempt from fear, but we need to overcome that anxiety by educating ourselves on all the aspects of our retirement. There are numerous of resources addressing financial planning at the local library and courses at nearby colleges that will jump start your learning process.

Here are a few books that will start you on your way. These may be available at your local bookstore or library. In 2011, each of these cost less than $15.00.

- The Wealthy Barber
  Author: David Chilton
  Publisher: Crown Publishing Group
- The Smartest Investment Book You'll Ever Read
  Author: Daniel R. Solin
  Publisher: Penguin Group (USA) Incorporated
- Start Late, Finish Rich
  Author: David Back
  Publisher: Broadway Books