Essential Financial Moves for Pre-Retirees

Retirement is on the horizon, and now is the time to fine-tune your financial strategy. Planning for retirement income, taxes, and healthcare costs will help ensure that your retirement years are both comfortable and secure.

Here are a few key considerations tailored to your unique financial situation.

Retirement Income Planning

- Create a diversified income plan that includes Social Security, pensions, and retirement accounts.
- Plan for a sustainable withdrawal rate (e.g., 4%) to avoid outliving your assets.
- Consider annuities as a way to guarantee income for life.

Maximizing Social Security Benefits

- Delay claiming Social Security until full retirement age or later to maximize monthly benefits.
- If married, coordinate claiming strategies with your spouse to maximize household benefits.
- Be aware of the impact of working in retirement on your Social Security benefits.

Healthcare Costs

- Estimate healthcare expenses in retirement, including Medicare premiums, co-pays, and out-of-pocket costs.
- Consider purchasing long-term care insurance to protect against the high costs of extended care.
- Maximize contributions to your HSA if still eligible for a high-deductible health plan.

Tax-Efficient Withdrawals

- Create a strategy for withdrawing from taxable, tax-deferred, and tax-free accounts to minimize taxes.
- Consider Roth IRA conversions before reaching required minimum distribution (RMD) age.
- Plan for the tax implications of any inheritances or windfalls.

Estate Planning

- Update your will and trusts to reflect current beneficiaries and ensure your assets pass as intended.
- Set up healthcare directives and powers of attorney to protect yourself in the event of incapacity.
- Ensure your estate plan is tax-efficient, potentially using charitable giving strategies or trusts.

Pre-retirement is a critical time to ensure your financial house is in order. Working with a financial advisor can help you create a customized retirement plan that addresses income needs, taxes, healthcare, and estate considerations for a secure and fulfilling retirement.

Sources:

- “Retirement Income Planning Strategies,” U.S. News & World Report, 2024.
- “Maximizing Social Security Benefits,” Social Security Administration, 2024.
- “Planning for Healthcare Costs in Retirement,” Fidelity Investments, 2024.
- “Estate Planning and Tax-Efficient Withdrawals,” Forbes, 2024.

Securities and advisory services offered through Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser. Fixed insurance products and services are separate from and not offered through Commonwealth Financial Network®.