

## Life Stage Investing: Take Control of Your Financial Future



If you start saving early in your career, you may have the ability to withstand short-term losses and invest more aggressively than older colleagues. By making contributions to a [403\(b\) plan](#) or other tax-deferred savings plan, a \$100 contribution only feels like a \$76 contribution because it's pretax. Your contribution is made before taxes are calculated and deducted. Dollar cost averaging can help take the emotion out of investing. You purchase shares at various prices at regular intervals to spread your risk and benefits occur automatically when you contribute to your retirement plan every pay period.

At this stage, increase your plan contributions by a percentage or two each year and review your portfolio annually to assess allocations based on your personal level of risk or changing life circumstances. If you plan to leave the workforce for an extended period of time to care for children or aging parents, understand the effects your employment gaps will have on any pension or Social Security benefits you might receive down the road and ramp up contributions before and after leaving to mitigate the impact.

You may want to protect a portion of your portfolio from market fluctuations that could derail your retirement aspirations. Understand your options and the financial rewards and risks associated with them.

## You can take these steps to help yourself be prepared:

1. **Protect your assets** as you near your desired retirement date.
2. **Determine whether you want to retire outright** or stay on with your company as a consultant or take a part-time position.
3. **Research tax rates and [living expenses](#)** in your desired location if you plan to move somewhere else for the weather or to be close to children and grandchildren.
4. **Take advantage of catch-up contributions** to your retirement plan — \$6,500 in 2020.
5. **Review your strategies** with your financial professional at least annually.

## Identifying retirement income sources and gaps

### Pension

Typically, you can keep the money with the company and enjoy monthly payouts or you can roll over the entire amount and consolidate it into your traditional retirement savings account. Visit with a financial professional to learn more about your options.

### Social Security

#### Your Social Security benefits are calculated using the following factors:

- How long you work (35 highest-earning years)
- How much you make each year
- Inflation
- The age you begin taking your benefits

You can choose to start taking retirement benefits as early as age 62, but if you do so your monthly benefit will be 25% to 30% less than if you had waited until your Full Retirement Age, which is 66 or 67, depending on the year you were born. On the other hand, you will receive a higher monthly benefit if you delay claiming Social Security benefits until age 70; if you wait, your monthly benefit will increase by 8% for each year that you delay taking benefits past your Full Retirement Age.<sup>1</sup>

#### [Social Security in retirement](#)

#### The amount of money you'll need in retirement depends on several factors:

1. Expenses (and how they'll change in retirement)
2. [Inflation](#)
3. [Taxes](#)

You should also understand how distributions from tax-advantaged accounts like traditional [IRAs](#) and [401\(k\)s](#) are taxed. Generally, distributions from these accounts are taxed as ordinary income, regardless of whether investments within the account may have generated long-term capital gains or qualifying dividends. Special rules apply to Roth IRAs, Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s; qualified distributions from these accounts, which are funded with after-tax dollars, are free of federal income tax.

## Compensating for Being Short on Retirement Savings

The best solution for dealing with a shortfall will depend on the severity of your projected deficit, the length of time remaining before retirement, and how long you need your retirement income to last.

### Consider one or more of these four options:

1. Spend less during retirement
2. Delay retirement
3. Work during retirement
4. Find other potential sources of retirement income

### You may discover several advantages to delaying retirement:

- Ability to stretch your savings
- Potential to continue health insurance coverage
- Continued social interaction, sense of accomplishment, and structure

## Health Care Decisions You'll Need to Make

One of the most important retirement expenses you need to consider is health care. Not only does a longer life expectancy mean more retirement years to plan for, it also means you will likely spend more on health care for premiums and uninsured expenses. For a married couple, there's the risk that savings may be depleted by health-care costs relating to the passing of the first spouse, reducing the amount available to the surviving spouse. In addition to general health-care premiums and expenses, you may have a need for long-term care. All Medicare recipients receive Part A and Part B. Visit [Medicare.gov](https://www.medicare.gov) to learn more about what is covered.

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### As soon as you turn 65, you'll be eligible for Medicare. Medicare is available to:

- U.S. citizens or permanent residents 65 or older
- U.S. citizens under 65 who have a disability
- U.S. citizens under 65 who have permanent kidney failure

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### Part A (Hospital Insurance) helps cover:

- Inpatient care in a hospital or skilled nursing facility
- Hospice care
- Home health care

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### Part B (Medical Insurance) helps cover:

- Medically necessary doctors' services
- Outpatient care
- Home health services
- Durable medical equipment
- Mental health services
- Other medical services including many preventive services

You can purchase additional coverage options as well. Medicare Part C covers all the same Part A and B services that you get from Medicare. You will have both hospital and outpatient benefits, but instead of paying deductibles and 20% of your medical services, you will pay the plan's copays.

Part D provides a prescription drug benefit. Dental, vision, and hearing coverage can be added.<sup>2</sup>

## Securing a Confident, Comfortable Retirement

Life is unpredictable — companies downsize, couples divorce, illnesses and injuries arise, adult children need financial help, parents need care, and spouses pass away. But while you can't control these things, you can take steps to secure your retirement regardless of where you are on your savings path. It's one of the best things you can do for your long-term financial, physical, and emotional well-being.

**Visit with your financial professional or call 800.888.2461 to learn more about solutions that can take you *To and Through Retirement*<sup>®</sup>.**

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<sup>1</sup> [ssa.gov](https://www.ssa.gov)

<sup>2</sup> [Medicare.gov](https://www.medicare.gov)

## Download

- [Life Stage Investing \(PDF\)](#)

## Related Resources

- [Women and Retirement: Closing the Gender Gap](#)
- [Women and Money](#)
- [Tax Center](#)

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Dollar cost averaging does not ensure a profit or provide protection against loss. An investor should consider the ability to continue purchasing through periods of low price levels.

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