

I'm Still Young - Why Worry About Retirement?



Most Americans today are ill-prepared for retirement tomorrow. While we dream of and look forward to an active, independent and carefree retirement, the reality is that far too many Americans have saved little or nothing for their "golden years."

The Internet is filled with retirement calculators that will provide worksheets to help you know how much money you are going to need after you retire. Take some time to determine how you are going to pay for your retirement lifestyle.

Before you set a retirement date:

- Decide what you want your annual income to be after you retire.
- Determine the average rate of return on your investments before and after you retire.
- Determine the market value of all your investments.
- Obtain an estimate of your company's pension plan.
- Obtain an estimate of your Social Security benefits.

You should already receive an annual "Personal Earnings and Benefit Statement" from the Social Security Administration. Be sure to review this statement for errors that might prevent you from receiving your full share of benefits.

One easy way to make sure that you will have some money to enjoy retirement is to participate in your employer's 401(k) program. Employers are now allowed to enroll their workers in a 401(k) program, and workers need to specifically opt out of the retirement plan. But why would you? This is your future! The 401(k) is another tool to help you diversify your investments so that you can lessen the financial burden when you do retire.

Try to contribute all you can to your workplace 401(k) program. Earnings are tax-deferred, and many employers will add money to the plan as an extra incentive. Be sure

to monitor your account and "rebalance" at least once a year due to market fluctuations.

Be sure to read your employer's 401(k) summary plan and review:

- When are you eligible for the program?
- What are the types of available investment options?
- How often you can switch between options?
- Are early withdrawals permitted for hardship or personal loans?
- What are the available distribution options when you leave the company or retire?
- How much will your employer contribute to your 401(k)?

A few months before you retire, it would be a good idea to sit down with a reputable financial adviser in retirement plan distributions and tax implications.

An expert may suggest you transfer your retirement funds to an individual retirement account (IRA). By taking this route, you will maintain your tax-deferred status of that sum and reduce your current tax burden. Keep in mind that IRAs are governed by a different set of rules than those of a 401(k). If you're older than 59½, you can withdraw as much money as you want at any time, and still be subject to ordinary taxes on that income. But if you retire before that time, you may be facing penalties for early withdrawal of those funds. This is why it is advisable to consult a professional.

You're just about ready to set sail. Next month, we'll explore additional ways to make the most of your retirement.

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