Retirement planning checklist

Find helpful retirement planning links at **vanguard.com/checklist**

Use this checklist to guide you through one of the most exciting stages in your financial life—preparing to retire!

☐ Save as much as you can in your retirement accounts.

- Save 12% to 15% of your pay each year for retirement, including employer contributions if you're investing in a retirement plan at work.
- Think about opening an IRA, and decide which type (traditional or Roth) makes more sense for you.
- Make it a priority to save the maximum you're allowed. The annual IRA contribution limits for 2016 increase at age 50 to $6,500 (from $5,500 for those younger than 50). For both traditional and Roth 401(k)s, the annual contribution limits for 2016 increase at age 50 to $24,000 (from $18,000).

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☐ Don't be shy about asking for professional advice.

- Think about whether you're comfortable making upcoming decisions on your own and whether you want to spend time maintaining and updating your plan as your circumstances, your investments, and regulations change.
- If not, consider hiring a Vanguard personal advisor, who will develop a customized retirement plan that's based on your goals and financial situation, and then guide and coach you as much as you want.

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☐ Simplify your portfolio.

- Consider whether you have a clear, accurate picture of your complete investment portfolio.
- If not, think about consolidating your accounts at Vanguard to get simplified reporting, low costs, and the opportunity to save on fees.

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☐ Prepare a budget for your expenses in retirement.

- Your retirement budget might not be too different from your current one. But remember that in retirement, you'll likely spend less on payroll taxes, income taxes, and your work wardrobe, and perhaps more on hobbies or travel.
- Remember to plan for medical costs, including medical insurance, which you may currently receive through your employer.

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☐ Plan to pay off your debt.

- Will you retire before you pay off your mortgage, cars, or credit cards? Make sure you understand the implications of retiring with debt, and have a plan to pay it off.

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☐ Consider purchasing an annuity.

- If your fixed expenses exceed your monthly income, or if you're concerned about outliving the money you've saved for retirement, think about annuitizing part of your retirement savings.
- Consider whether you'd want payments that continue for your lifetime, or just for an agreed-upon number of years. Also consider whether you'd want to defer starting the payments until a certain age, to lower the cost to purchase the annuity.

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☐ Plan to withdraw from your retirement accounts.

- You'll need to consider how to make your savings last for the duration of your retirement, how to make the withdrawals tax efficiently, and whether you need to take required minimum distributions (RMDs) from your IRA or 401(k).
- Familiarize yourself with important dates. At age 59½, you can withdraw from your IRA and 401(k) without incurring the 10% federal early withdrawal penalty. By law, you must start taking taxable RMDs from your retirement accounts no later than April 1 in the year after you reach age 70½. If you don't, you could owe a penalty of up to 50% of the amount you should have withdrawn.

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☐ Sign up for Medicare and Medigap.

- **Medicare** is a federal health insurance program. At age **64 and 9 months** you have a seven-month initial Medicare sign-up window; if you miss it, you may have to pay higher premiums for life. But if you still have medical insurance provided by an employer, including your spouse's employer, you can postpone enrolling in Medicare until that coverage ends without having to pay higher premiums later. Medicare coverage can begin as early as the first day of the month in which you turn 65.
- **Medigap** is Medicare supplemental insurance; it's private insurance that covers some of the out-of-pocket copays and deductibles of Medicare. The six-month enrollment window for Medigap begins on the **first day of the month in which you turn 65**. During this enrollment window, you can't be denied Medigap coverage or charged extra because of poor health. But if you miss the enrollment deadline, you may pay higher premiums for life or even be denied coverage.

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☐ Determine the age at which you'll retire.

- You've already calculated your expected expenses. You'll also need to know your expected retirement income (from Social Security, pensions, annuities, investments, and other sources).
- Then make sure your projected income is greater than or equal to your expenses.

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☐ File for your Social Security retirement benefits.

- You're eligible to receive reduced benefits at age 62. But at age 66–67, you reach Social Security full retirement age (FRA), the age at which you qualify for your full Social Security retirement benefits. And if you wait to claim your benefits beyond your FRA, their value will continue to increase each month you delay until you reach age 70.
- As shown in the chart below, your FRA depends on the year you were born:

Year of birth	Full retirement age
1943–1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

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