Early Retirement

RETIRING EARLY? HERE'S WHAT TO CONSIDER.

After the COVID-19 pandemic, many Americans became more motivated to take advantage of the years they have ahead by retiring early. To make early retirement a reality, it's vital to plan in advance and consider all angles when it comes to your finances in retirement, which can significantly differ from your finances as an employee. In this paper, we will outline planning options for your review with your family and financial advisor, as well as a checklist of topics to walk you through making the decision to retire early.

Before you dive into the financial evaluation and planning that goes into retiring early, you must ask yourself if you are truly retiring. Retirement for Baby Boomers and Generation X doesn't necessarily look the same as their parents' or grandparents' retirement. You may want to continue working as a free agent, take on consulting gigs on your own time or pursue a part-time career in a field you have always dreamt of but never had the chance to fully explore. For some, optional work provides opportunities to contribute and to keep minds sharp.

This idea of "work optional" goes hand-in-hand with financial independence and early retirement. In order to find out if you are truly in a work-optional place, talk to a financial advisor to run the numbers. Your advisor will most likely evaluate what your expenses are on a monthly basis, what your income streams look like (pension, Social Security, etc.), your monthly and yearly gap, and the necessary nest-egg to fund the gap. Here is a simple example utilizing the 4% rule:

- Monthly expenses (including taxes): **$10,000**
- Monthly income streams: **$4,000**
- Monthly gap: **$6,000**
- Annual gap: **$72,000**
- Necessary nest-egg to fund gap: **$72,000/.04 = $1.8 million**

Using the example above, if you are significantly below the target of $1.8 million, you will need to cut your expenses or continue to work in some capacity because work is not "optional" yet. However, it is important to keep in mind that this is circumstantial. You may be in a work-optional position but continue to work as a free agent because you enjoy it.

CAN YOU "gig"?

You may have seen articles about our 'gig economy'; many companies rely heavily on part-time consultants or even full-time consultants, instead of full-time hires. This can be a great source of supplemental income if you've retired from your full-time job, but it's important to be realistic about if there are opportunities in your field and if you are qualified (and how plentiful those opportunities may be). You can inquire of you present employer; you can look online for part-time opportunities (a number of sites specialize in this), or can ask peers across your industry. If you have a strong LinkedIn network, that can be an easy way to research and land a "gig."

Understand Your Expenses

Even if you are in a very comfortable financial position, it is critical to understand your expenses —especially when planning for retirement. If you have a spouse or partner, discuss how you both want to live in retirement. Are you planning to downsize your home and purchase a vacation home? Do you want to continue with the same lifestyle you're accustomed to? If you have grandchildren, are you going to want to help them financially or continue helping them if you already are? If you've been active in philanthropic giving your whole lives, do you want to continue those donations through your retirement years? These are all questions you and your partner must talk through and answer with complete honesty to ensure that you're on the same page or are able to compromise. The next step is sharing these responses with your financial advisor and evaluating if you're ready for retirement — whatever that looks like for you. Having a "third-party" opinion from your financial advisor is extremely important here as they are likely to remember or know of expenses that you may have overlooked.

Create an Income Plan

Whether you were an employee at a corporation or ran your own business for much of your life, you most likely had some kind of income that regularly deposited money into your bank account. When you switch over to retirement or work-optional living, we recommend working with your financial advisor to create an income plan.

In addition to your savings and investments, Social Security may be an income source in retirement. Most still think the "normal" retirement age is 65, but between ages 65 and 70, your Social Security income will increase by 5.5-8% per year depending on your year of birth. Therefore, when thinking about your income plan, it may make sense to hold off on Social Security for as long as you can up to age 70. Additionally, Roth IRAs can be fast-growing investments, so drawing from your Roth IRA may be something you choose to delay as well if you are able. Your advisor can help you weigh the pros and cons.

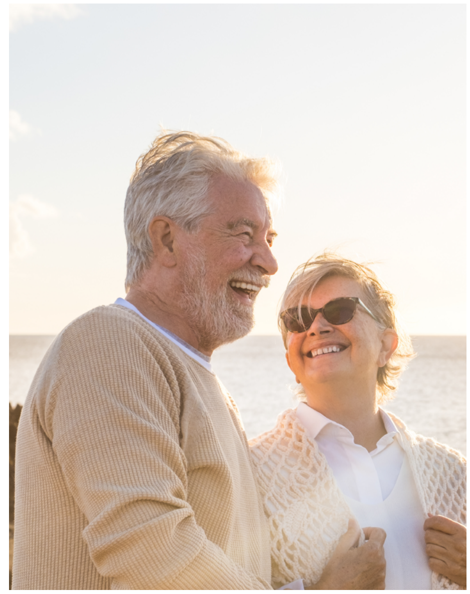
When it comes to other investments, review your plans with your advisor based on lower risk, tax status changes, and cash flow needs. Advanced planning may also include the following:

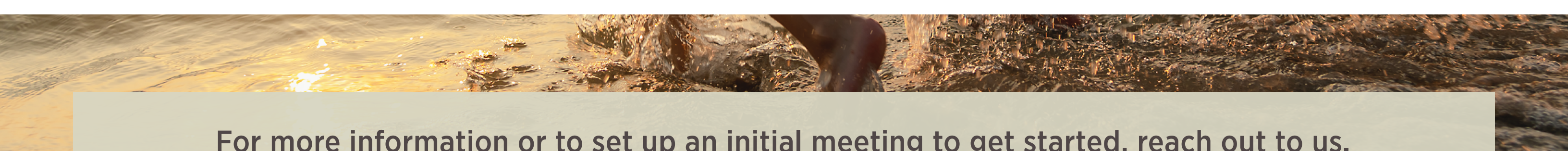
- **Wealth enhancement:** tax planning and analysis of debt
- **Wealth transfer:** making sure your wealth is transferred where you want quickly, and inexpensively
- **Wealth protection:** protecting your wealth from unjust confiscation
- **Charitable planning:** making gifts impactful

Other topics to consider

You may be noticing a pattern here, talking to your family and your financial advisor. Communication is key to planning for retirement. You are never really in it alone, even if you are single. Some additional topics you'll want to consider and then discuss with your advisor include everything from health care costs to tax and estate planning. Use this checklist when planning your early retirement:

- [ ] Health insurance
  - [ ] Pre-Medicare
  - [ ] Medicare planning
- [ ] Retirement planning
  - [ ] Organization of your plans and accounts
  - [ ] Tax-managed distribution planning
  - [ ] Timing and collection of Social Security and pensions
- [ ] Tax planning
- [ ] Estate planning
- [ ] Reviewing of debts and liabilities
- [ ] Cash flow needs and timing
- [ ] Downsizing review
- [ ] Planning for connection, engagement and lifelong learning
- [ ] Measuring and updating risk tolerance
- [ ] Analyzing life insurance needs
- [ ] Reviewing professional relationships – CPA, attorney, insurance agent, wealth managers, other
- [ ] Preparing and protecting heirs
- [ ] Preparing a philanthropy plan
- [ ] Organizing your digital life
- [ ] Residency planning and related taxes





For more information or to set up an initial meeting to get started, reach out to us.

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DISCLOSURES