5 tips for Pre-Retirees

LIFE EVENTS EBOOK SERIES FOR FINANCIAL WELLNESS

Catholic Financial Life®

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In this eBook: Your pre-retirement to-do list, why you still need a will, a Social Security primer, catch-up contributions, and caring for aging parents.

TIP # 1

YOUR PRE-RETIREMENT TO-DO LIST

- **When and where to retire.** Perhaps you've always dreamed of spending your "Golden Years" living in a condo on a palm tree studded cul-de-sac close to the golf course. Or, maybe you desire to spend your retirement in the cottage in the woods you've been vacationing at for the last twenty years. Wherever your ideal retirement location is—be it where you're living now, or a few states away—you'll want to familiarize yourself with the state's tax laws and any implications they may have on your retirement funds.
- **Look at your taxes.** After you retire, your tax situation may change—perhaps you may find yourself in a lower tax bracket because your income or deductible expenses have decreased. Perhaps you may have to make quarterly estimated tax payments. Keep in mind, changes to your retirement portfolio can sometimes have tax consequences.

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Continued... TIP # 1 YOUR PRE-RETIREMENT TO-DO LIST

- **Review your retirement budget.** In order to make sure your money lasts throughout retirement, estimate your cash flow. List the expenses you expect to have after you retire and create a multi-year plan for tapping your retirement income. Use our cash flow calculator to help you get started and check to see if your current retirement savings are sufficient to meet your retirement objectives.

- **Review your insurance.** Currently you are eligible for Medicare benefits once you turn 65. There are choices in Medicare coverage and currently you have two main choices in how you get your coverage. Medicare covers some, but not all healthcare expenses and you may want to start looking at supplemental policies before your retirement day arrives. Plan to become familiar with Medicare before you retire and you'll have an easier time navigating your way through the sometimes confusing and complicated system.

Continued... TIP # 1 YOUR PRE-RETIREMENT TO-DO LIST

- **Consider annuities.** An annuity is a contract between you and an insurance company and offers a regular source of income during retirement by making periodic payments to you in return for a premium or premiums you agree to pay. Annuities come in various shapes and sizes, but generally speaking the payments you would receive under an annuity contract can last for a set period or a lifetime depending on which type of annuity you choose. For more information on annuities, contact a Catholic Financial Life advisor or visit the Learning Center on our website.

- **Retire your mortgage and other debts before you decide to retire.** Since a mortgage is often the biggest monthly expense, you'll want to ensure your mortgage is paid off before you retire. Remember too that even if you have paid off your mortgage, you'll still need to cover annual property taxes, insurance, utilities, home repairs and any other unexpected expenses you may incur to maintain your home.

QUESTIONS? WE'RE HERE TO HELP.
CONTACT AN ADVISOR TO GET THE CONVERSATION STARTED.

TIP # 2

IF THERE'S A WILL, THERE'S A WAY

Even if your kids are adults now and they have children and a family of their own, you still should have a will as a way to control who will receive your assets and how and when those assets will be distributed after you die. Don't have children or a spouse? It's even more crucial to have a will or an estate plan to carry out your wishes upon your death.

- **The importance of a will or an estate plan.** Is your documentation of assets organized and communicated to someone? If you don't already have a will and/or an estate plan, you might want to consider creating one. Why? A will allows you to control who will receive your assets, how and when those assets will be distributed to your beneficiaries, and it allows you to name an executor (or personal representative) who can carry out the provisions in your will as you intend them to be distributed. Catholic Financial Life provides a $50 Estate Planning benefit to financial members who are interested in creating a will. Click here to find out more information about our membership benefits.

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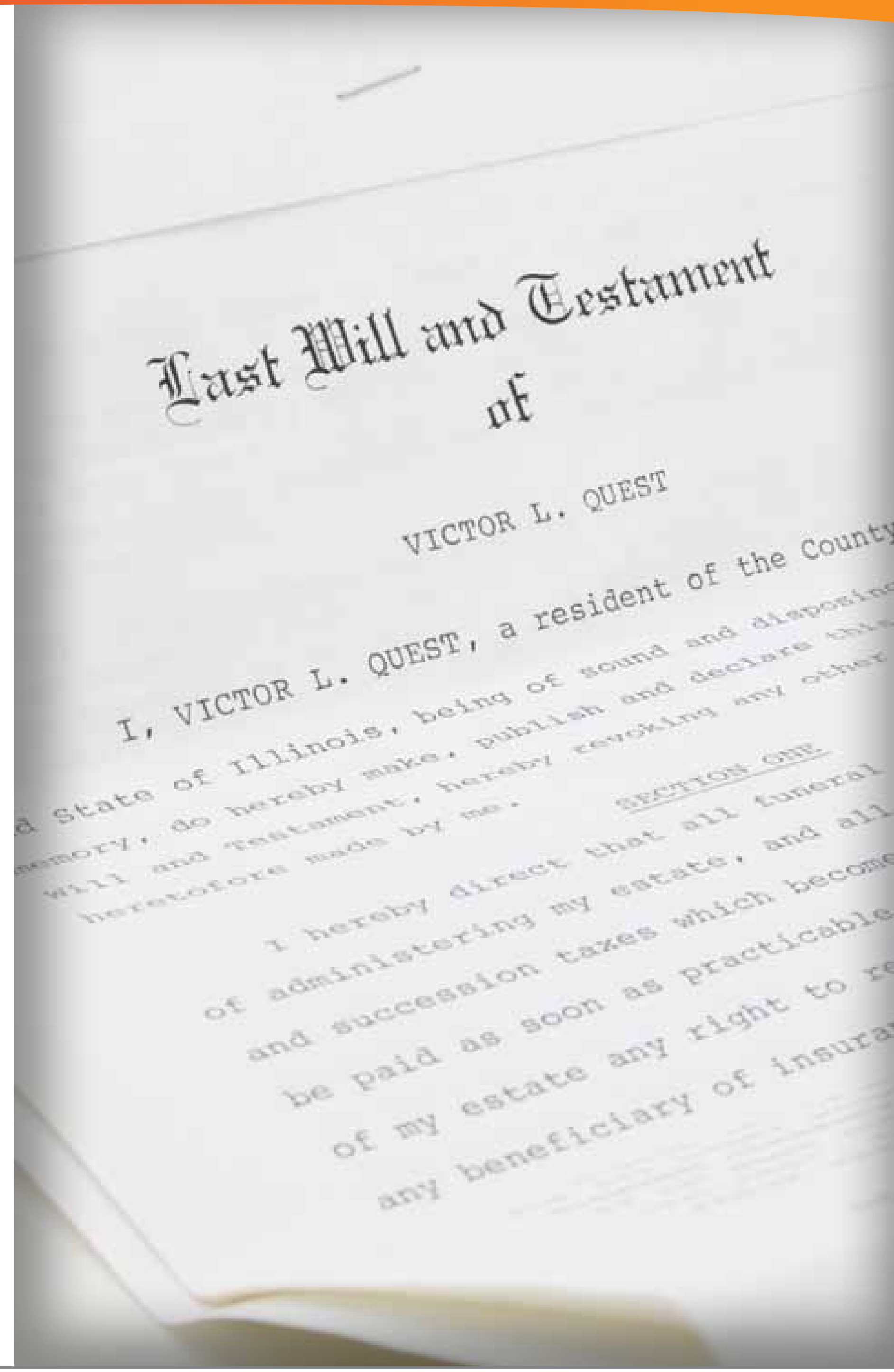
Continued... TIP # 2 IF THERE'S A WILL, THERE'S A WAY

- **What happens if I don't have a will?** If you die and don't have a will, the state in which you reside will determine how best to settle your estate. The court will appoint an administrator as your personal representative and they will decide how your assets are distributed—often not how you had intended. If you have minor children, the state will decide whom it feels will best serve your children's needs by appointing a guardian. A will allows you to control how your assets will be distributed, to whom, and when they will be distributed upon your death. Even if you and your spouse jointly own property and have rights of survivorship, you still need a will. Joint ownership alone does not provide for the possibility that the other joint owner may die before you. It also doesn't provide the planning benefits that a will or estate plan can accomplish.



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Continued... TIP # 2 IF THERE'S A WILL, THERE'S A WAY

- While you're drafting an estate plan or a will, you may want to also **consider a medical power of attorney**. As you get older you'll want to make sure your wishes are carried out if you become incapacitated from an accident, illness, or other tragic circumstance. When you can't do it yourself, you'll rest securely knowing someone will be there to make sure your bills continue to be paid, insurance paperwork and benefits are being dealt with, etc. Most importantly, you won't face court-appointed intervention that is often required before anyone can pay bills or transfer property, sign contracts or other important matters on your behalf.
- **Work with a lawyer or other estate planning professional** to help draft a will that meets all legal requirements and accomplishes your objectives and wishes.

TIP # 3

DECIDING WHEN TO RETIRE: A SOCIAL SECURITY PRIMER

Currently you can begin taking Social Security benefits as early as age 62 or as late as 70. Check with the **Social Security Administration** to see when you are eligible to receive full Social Security benefits. Benefit payment amounts are based on your age and the year you were born (known as your Normal Retirement Age). The sooner you begin taking your retirement benefits the smaller your payments would be at your normal retirement age, because you might be receiving them for a longer period of time. Since you can wait to collect Social Security up until age 70, the longer you wait to receive your benefits, the higher your monthly payments will be. Regardless, you'll want to investigate the specifics of the program before you decide to retire.

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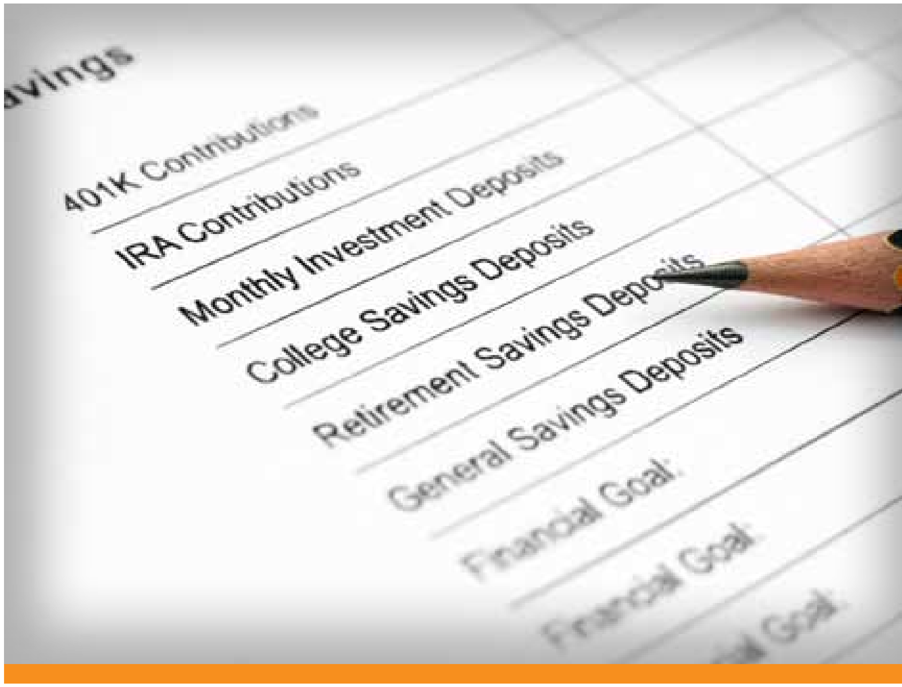
Deciding when to retire is a personal decision only you can make, but to help you decide, consider:

- **Your health.** If you are in poor health, you may want to consider taking your benefits early and retire sooner rather than later.
- **Are you currently working?** Your benefits may be temporarily reduced once your income exceeds a certain amount. Speak with your advisor or other financial professional to help you make the decision that's best for your situation.
- **Do you need your benefit income right away?** If you have another source of income, such as a part-time job, or you've been living on your retirement savings for a while, you may want to consider waiting until you qualify to receive your full benefit amount rather than taking less by collecting Social Security too early.
- Be sure to **visit the Social Security Administration's website** for further information.



TIP # 4

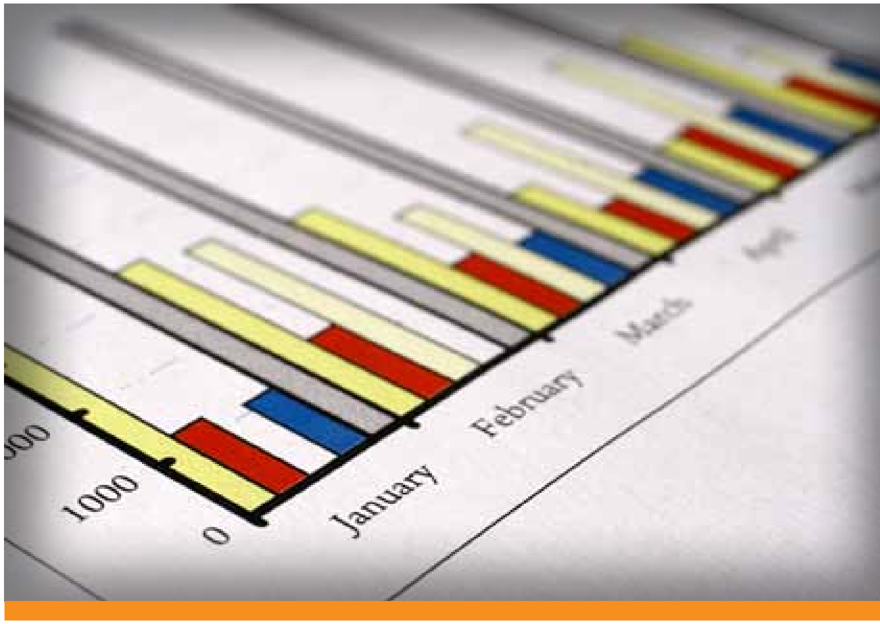
MAKING UP FOR LOST TIME

If you're age 50 and older, the current tax law allows you to make additional contributions to your employer-sponsored retirement savings plan and/or individual retirement account (IRA). Often times there are many demands on your money and it's easy to get off track when it comes to saving for retirement. By now, having enough money socked away for retirement is probably one of your biggest goals.

- **Check with your employer** for specific rules and additional amounts you can contribute to your employer-sponsored 401(k)/403(b) plans.
- You can also **contribute to your own Individual Retirement Account** (IRA). Individuals who are at least 50 and older can contribute up to $6000.* You can contribute to both your employer-sponsored plan and an IRA, as there is no rule against contributing to both. Contributions may or may not be tax deductible when you or your spouse participates in an employer-sponsored plan, depending on your income. Check with your advisor or other tax professional for more details.

*Figures for 2011 and 2012.

- **Be sure to review your investment strategy.** Now is probably a good time to look at your investment strategy and look for tax-smart ways to manage your assets. It may make sense to seek professional advice on ways to preserve your assets and keep income taxes and possible estate taxes to a minimum.
- You may want to **consider consolidating your retirement accounts.** Doing so can make it easier for you to see the big picture, guard against investment overlap, keep track of your money and better manage your investments. As you review your portfolio(s) be aware that you may incur fees and charges when rolling over multiple accounts to a single IRA. Consult with your advisor or other tax professional for information.
- Looking for more? **Visit the Financial Planning section of our website** to find interactive articles and calculators that can help you answer these questions and more:
  - How will retirement impact my **living expenses**?
  - Are my current **retirement savings** sufficient?
  - **How long will my savings last**?



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TIP # 5

CARING FOR AN AGING PARENT

Parenting your parents. It's an age-old problem...what to do when parents—who've spent their lives caring for their children—are no longer able to care for themselves? Each situation is unique and personal, but there are a few things to keep in mind when deciding between caring for aging parents yourself or deciding to rely on a nursing home or other professional service for help.

- **Be aware of financial scams.** Sadly, financial scams are a growing problem in our society. Make sure your parents aren't being taken advantage of. Help protect them from making poor, hasty and/or expensive decisions by educating them or helping in the decision making process.
- **Familiarize yourself with Medicare and Medicaid.** In our Ebook: **Financial Wellness for Your 40s-50s**, we cover the basics of Medicare and Medicaid in our Long Term Care section. Not only is it good information to know for your aging parents, it may help you when the time comes. At the very least, find out what kind of Medicare/Medicaid coverage your parent has, their co-pays, out-of-pocket limits, whether their coverage includes nursing home benefits, etc.

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- **Look into government resources.** The Department of Health and Human Services has an extensive Eldercare locator on their website that can help you find services like housing options, Long Term Care, Alzheimer's care, and many more resources for your aging parent. Plus, the National Council on Aging (NCOA) has a free Benefits Check Up for older adults on their website.

- **Prepare for your own future.** You might want to think twice about cutting back at work to care for your aging parent. How prepared for your own retirement are you? Would cutting back or quitting your job have a substantial effect on your own retirement, your savings, etc.? Do you have a plan in place to take care of your needs when the time comes to take care of you? You can read up on the basics of Long Term Care plans in our **40s-50s ebook**.

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Catholics have trusted Catholic Financial Life to safeguard their financial security for more than 140 years. With $4.9 billion of insurance in force, and assets of $1.2 billion, Catholic Financial Life is the second largest Catholic not-for-profit financial services organization in the United States. Being membership-owned, we put your interests first. You'll see it in the personal conversations we'll have as we help you protect your dreams. You'll feel it, knowing you're an important part of our family. You'll be proud to be a part of an organization that puts Catholic values into action by enriching your life, while serving God by serving others.

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