Retirement: A Guide to Your Future

Wondering when you should start saving for your retirement? The answer is NOW! The earlier you start saving for retirement the better. You do not want to be playing catch up with your savings when your retirement date is drawing near.

How Much Will You Need?
That depends on what your retirement will look like. What age do you plan on retiring? Will you be traveling or buy a home? Will you work part time or maybe start a business? There are several factors that you must consider when calculating how much you will need when you retire. So how much exactly will you need? While there is no exact amount a common rule of thumb states that you will need about 80% of your pre-retirement income during your retirement. For example, if you are making $60,000 a year before your retirement you will likely need $50,000 a year during your retirement.

While the 80% rule is a good start, it is not an exact science. Some people may need more than 80% of their pre-retirement income depending on what their plans are during their retirement. As your retirement date gets closer start calculating what your estimated expenses will be and check that against what your anticipated income will be. By doing this you will get an idea of how much you'll have or need.

Build That Nest Egg
The more money you contribute the more you will earn. Seems simple right? According to the Economic Policy Institute (EPI) "Nearly half of families have no retirement account savings at all". Consider increasing your contribution to your employer's retirement plan each year. Participants in 401(k) plans contribute an average of 6.9% of their pay, according to the Plan Sponsor Council of America. If your employer offers a match be sure to contribute enough to take advantage of your company's match in full. Even adding $10 or $20 extra per paycheck could make a big difference in your savings.

Things to Consider
Where will you live? This may be the biggest decision you make after you retire. Where you decide to retire is a big factor on how comfortably you will spend your golden years. A major component to consider are taxes! If you are planning to relocate after retirement be sure to check the state income tax, sales tax and death tax rates. When you combine state income, property and sales taxes it really adds up. Some states are more tax friendly than others. For example, Florida has no state income tax, which means social security retirement benefits are untaxed. Whereas in Connecticut your pension income is taxed. Orlando, Florida, Tampa, Florida and Scottsdale, Arizona ranked the top three cities to retire in, according to WalletHub. These top cities ranked highest on their scale, which ranges from cost of living to retired taxpayer-friendliness to availability of recreational activities. Retiring to one of these cities may give you the biggest bang for your buck.

Taxes aren't the only expense to think of. You may need to find medical coverage. When you retire you may have the option to continue your medical benefits for up to 18 months thanks to the federal law called Consolidated Omnibus Budget Reconciliation Act (COBRA). However, if you do participate in COBRA you will be required to pay the entire premium as well as the 2% insurance companies can add on to cover their fees. This can cost you hundreds of dollars each month, which adds up when you are on a fixed income. If you can wait to retire at 65, consider doing so. Wait until you qualify for Medicare. Even with Medicare you have to plan for yearly fees, deductibles and other out-of-pocket costs. Here is a breakdown of what potential Medicare costs could look like:

- **Part A:** No premium if you or your spouse paid Medicare taxes while you were working. For 2020, there is a deductible of $1,408 before coverage begins. You may expect to pay a portion of the cost for a hospital stay of more than 60 days during a benefit period.

- **Part B:** A deductible of $198 for 2020 plus 20% of Medicare-approved amounts for medical services. The amount of additional monthly premiums depends on whether you are enrolled in Original Medicare or in Part C. With Original Medicare, the standard 2020 premium is $144.60 per month. Single beneficiaries with incomes above $85,000 and couples earning more than $170,000 pay higher premiums.
- **Part C:** Costs and levels of coverage vary according to the plan. Contact plans that interest you to learn the details and to compare the costs and levels of coverage with Medicare Part A and Part B.
- **Part D:** Pricing for prescription drug coverage is complex. For those who add Part D to Original Medicare, there is a monthly premium, an annual deductible, and copayments. There is a "coverage gap" that works as follows: After a beneficiary and the insurer pay $3,700 for prescription drugs during a benefit period, the beneficiary will pay 47.5% of the plan's covered brand-name prescription drugs until out-of-pocket expenses total $4,950, at which point catastrophic coverage takes effect. Effective the following calendar year, a new benefit period begins with applicable premiums, copayments, and other costs.

Think that is all you have to consider? Think again! You have to consider your day-to-day living expenses. Things like groceries, car maintenance, leisure activities, vacations etc. If you decide to relocate, how far from your family and friends will you be? How many times a year will you have to travel to visit? All of these expenses will have to be taken into consideration when thinking of your retirement. All in all life is costly and costs do not go down just because you are retired. So if you have not started planning for your retirement, now is this time.