

## 8 IMPORTANT THINGS TO DO BEFORE YOU RETIRE

### KNOW YOUR NET WORTH

The most important step in planning for retirement is to get your financial records in order. The first step is to prepare a Balance Sheet. A Balance Sheet is a snapshot of your assets and liabilities at a particular point in time. This financial statement is an excellent way for you to plot your financial progress. Assets include all items of value owned by you such as your home, car, bank account and retirement plans. Value assets at market value as of the date of your Balance Sheet. The second part of the process is to list your liabilities as of the same date. Liabilities are your debts such as a mortgage, car loan etc. The difference between your assets and liabilities is your Net Worth. Preparing a Balance Sheet and monitoring your financial progress over time is particularly important for retirees and people nearing retirement age that would like to retire.

### PREPARE A BUDGET

The second step is to prepare an Expense Budget. First, look at your actual expenses over time. You will need your bank statements and credit card bills to do this accurately. Most people have never done this but it's important to know how you are spending your money. List your expenses by category such as food, gas, entertainment, mortgage payment etc. Once you have listed your actual spending then you can prepare a budget. The budget is your spending goal or spending target. On average, household spending peaks around age 45-54 then tends to gradually decline. The exception is health care; it is important to include potential out-of-pocket medical expenses in your retirement planning on a personalized and annual basis. Remember to consider the cost of health care. Call the Health Trust to learn about your retirement health care benefits. You must meet eligibility rules to qualify. When regularly revised to reflect changes in your financial situation, these documents serve as important tools in evaluating and monitoring your financial picture. Without accurate personal financial statements, it's difficult to plan effectively.

### DETERMINE YOUR FUTURE INCOME

The third step is to budget for your future income. The primary sources of this income will be your retirement plans including social security. Go to [ssa.gov](http://ssa.gov) to get an estimate of what your social security income will be at various ages. Estimating your retirement plan income is more difficult. In a plan such as the Northwest Sheet Metal Supplemental Pension each participant has an account balance. Studies show that over a long retirement with a balanced portfolio of investments approximately 5% of your account can be withdrawn each year. Increasing your withdrawal rate can significantly reduce the number of years your retirement savings will last. You can find calculators at the Trust website at [www.nwsheetmetalbenefits.org](http://www.nwsheetmetalbenefits.org).

**Did you know that you do NOT have to withdraw or roll-over your entire 401-K account balance when you retire?** Rolling your money over to a different account can cost you unnecessary fees with little or no added benefit. You can set up regular monthly payments or only take money as needed. You can continue to monitor and manage your account balance through the online portal. Reacquaint yourself with the numerous investment options available and the expense ratio and/or cost of your current institutional cost structure (vs. the cost of retail investment equivalents).

### FEES MATTER & FINDING A CERTIFIED FINANCIAL PLANNER

Before you rollover or withdraw your entire account balance, make sure you have compared the investment management fees. You should seek out the assistance of a qualified, "fee only" financial planner / advisor to coach you to and through retirement, with the goal to design a withdrawal strategy to minimize taxes. There are many types of financial planners / advisors. A "Certified Financial Planner" (CFP) is preferable. Individuals with this designation hold themselves to a fiduciary standard. You can locate a CFP in your area by going online to the CFP website: [letsmakeaplan.org](http://letsmakeaplan.org).

### MAKE ADJUSTMENTS

You now know where you stand financially (Balance Sheet) and where you are going (Budget). This process is a must if you want to be realistic about your finances. For many people retirement is not

this convenient, and adjustments must be made to make it work. Reduce debt, go after expenses that you don't really need or won't continue in your retirement. Look at your budget to find places to cut your expenses.

### **REVIEW WILLS, TRUSTS, POWERS OF ATTORNEY, AND BENEFICIARIES**

Update your will, power of attorney and advanced medical directive. This should be done periodically about every five years or when circumstances change.

### **REVIEW YOUR INSURANCE COVERAGE**

Insurance needs may change in retirement just as your financial priorities and responsibilities change. Make sure to review your life, health, homeowners, and auto insurance policies so that your coverage is appropriate for your new lifestyle.

### **NOTE MEDICARE MILESTONES ON YOUR CALENDAR**

Medicare generally starts at age 65 and has two parts. Part A is hospital insurance and helps pay for hospital, hospice and home health care (in general, most people do not pay for this). Part B is medical insurance and helps pay for doctors, outpatient care, and other medical services (in general, most people do pay for this). Depending on your age and whether or not you're receiving or plan to receive Social Security, the Medicare application process, timelines, and premiums may vary. Note that applying late may result in delayed benefits and higher premiums. "Medicare Advantage" plans are private health plans offered as an alternative to Medicare Part A and B. Medigap Policies are insurance that can help pay some of the health care costs that Original Medicare doesn't cover, like copayments, coinsurance, and deductibles.

### **MAXIMIZE SOCIAL SECURITY**

Many people are of the mind-set they should start claiming Social Security benefits at the earliest time possible. Delaying benefits means having more money to spend later, compensating for increased longevity. It has been noted that for married couples, for example, there are more than 80 strategies for claiming Social Security, including "file and suspend" or "restricted applications." These strategies are not publicized, and the difference between the best decision and the worst possible decision of when to elect can be well over \$100,000" according to an article by the International Association of Registered Financial Consultants. They warn against head-in-the-sand thinking. People put blinders on and don't pay attention to areas that could potentially devastate their retirement.

### ***Important Estate Planning Information***

Information provided is general and educational in nature. It is not intended to be, and should not be construed as, legal or tax advice. Northwest Sheet Metal Supplemental Pension Trust does not provide legal or tax advice. Laws of a specific state or laws relevant to a particular situation may affect the applicability, accuracy, or completeness of this information. Federal and state laws and regulations are complex and are subject to change. Northwest Sheet Metal Supplemental Pension Trust makes no warranties regarding the information or results obtained by its use. Northwest Sheet Metal Supplemental Pension Trust disclaims any liability arising out of your use of, or reliance on, the information. Consult an attorney, CPA, CFP or other such advisors regarding your specific legal, tax or financial situation.