



Retirement Planning

You're Retired, Now What?

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Retirement brings many changes to daily living. This publication looks at some of those changes and provides information to help you make preparations.

Your Retirement Goals

The first thing to consider is what you want retirement to be for you. What are your retirement goals? Do you want to continue working at another paid job? Do you want to travel? Do you want to pursue a hobby? Ideally, your retirement goals are addressed before you retire. If not, take some time to write down some concrete retirement goals for yourself. These goals will serve as your road map to guide you in what you do. Keep them flexible. Think about the various aspects of your life – physical health, the lifestyle you want, and leisure activities. Brainstorm possibilities. If you are married, discuss them with your spouse. Write down short-term and long-term retirement goals. Fact Sheet MGT-SBB.019, *Your Retirement Planning Goals*, can get you started.

Your Retirement Budget

Income. Think about how much money you will need in your retirement budget to fulfill your goals. Explore alternatives that will help you attain your goals but will cost less. Your income during retirement can be as little as you can survive on to as much as you want to spend. Your retirement budget is affected by the retirement lifestyle you choose.

Some people choose to live a more expensive lifestyle in retirement and have saved to be able to do just that. Others choose to live a frugal lifestyle. Often, however, a health care crisis or other circumstance beyond their control proves costly.

Make a list of your regular retirement income sources. This would include retirement plan income, Social Security income, 401(k) income, IRA withdrawals, etc. Remember that some of your retirement savings and investments may be held for future expenses and are not part of your regular retirement income.

Expenses. Make a list of your current regular expenses. Remember to include dollar amounts for seasonal expenses such as car insurance that is paid every six months. Using your expense records for the past year can be a big help in remembering all the various expenses you have in a year. An alternative is to keep a diary of your expenses for a month. This will give you an idea of what you are spending

and in what categories. Make a retirement spending plan. Extension Fact Sheet, MGT-SBB.021, *Retirement Planning – A Retirement Spending Plan*, can help you get started on your own spending plan.

Evaluate your expected retirement expenses and regular retirement income. Decide



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if you need to make changes. The changes could be in the amounts you are spending in each category. Good financial management means that your income is equal to or exceeds your expenses. The amount of money you need for daily living will have an impact on your retirement lifestyle and could affect your decision to work at another paid job in retirement.

Investments. When making decisions about how much and when to make withdrawals from an IRA, consult with your financial adviser. You must begin withdrawing minimum amounts from a traditional IRA by April 1 in the year after you reach age 70½. There are different ways to set up your withdrawal plans. With the proper beneficiary designation, funds remaining in an IRA at your death can be passed on tax-free to an heir. The beneficiary can begin to make minimum withdrawals based on his life expectancy. This extends the life of an IRA and saves your beneficiary paying taxes on an inheritance. Talk to an estate planning attorney or a CPA about how to properly designate a beneficiary for this purpose. Financial planners have computer software that allows you to make comparisons of the various ways of making minimum withdrawals.

Remember to continue saving and investing during retirement. If you retire before age 70, you can still make contributions to an IRA or other investment savings plan. You could have many years of retirement and will want to have enough money to support yourself. The amount you can contribute to an IRA varies each year. Savings and earnings from investments will be important to you in later years when you may have more expenses for health care and assisted living.

Inflation is something that erodes the purchasing power of people on fixed incomes. When retired people must spend more each year on things they need, such as food and housing, it reduces the amount left for other expenses. This means you have two choices – reduce your spending or increase your income. Adjustments have to be made in retirement spending plans. In periods of high inflation, these adjustments should be made monthly. To keep your retirement income in pace with inflation, you may need to earn income after you retire and invest your

savings in stocks and bonds that add interest earnings to your income stream. Work with a financial adviser, and know what investments are most likely to provide this inflation-paced income for you.

Working in Retirement

Some people retire from one job with the intention of working at another. This is especially true for people who are able to retire by choice in their 50s and 60s. Others are forced by circumstances to retire from their place of employment. Sometimes there are other factors for early retirement. Some people choose to keep working after retirement because of personal fulfillment. In addition, a job can supplement the retirement income from the first job. Others choose to do volunteer work in their community after retirement.

Think about whether you want to work full time or part time. With retirement income, you can probably work for less pay and at a less demanding job. Think about work that will be fun to do and cause less stress. Often, retired people turn a hobby into a job to earn extra money in retirement. Challenge yourself to think of possibilities for earning extra money to supplement your retirement income. You might find someone with whom to share a job. This is a situation where two workers share the responsibilities of one job and each work a proportional share of the time.

If you decide to work in retirement and draw Social Security, investigate the current rules on the amount of money you can earn while receiving your Social Security payment. After you reach full retirement age, there is no reduction in your Social Security benefits check when you work. However, persons under full retirement age and receiving Social Security payments are subject to an earnings test. For persons between the age of 62 and full retirement age, \$1 in benefits will be deducted for each \$2 you earn from gross wages above an annual limit. For 2007 that annual limit is \$12,960. In the year you reach your full retirement age, \$1 in benefits is deducted for each \$3 you earn in gross wages above a different limit, but only counting earnings before the month you reach full retirement age. For 2007, this limit was \$34,440. Once

you reach full retirement age, there is no reduction in your benefits. Remember that the full retirement age for people born in 1938 and after is higher than age 65. You can find current information on the Social Security Administration Web site at <http://www.ssa.gov>.

Normal Retirement Age	
Year of birth	Age
1937 and prior	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-54	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 and later	67

Note: Persons born on January 1 of any year should refer to the normal retirement age for the previous year.

If extra income is not an issue for you, you might choose to do volunteer work in retirement. There are plenty of opportunities in every community for help from volunteers. Doing volunteer work keeps you active. You can socialize with other people and do something worthwhile for someone else at the same time. Check the volunteer possibilities in your community, or consider a limited term volunteer effort at a location away from where you live.

Playing in Retirement:

Leisure Without Guilt

Leisure activities in retirement often give retirees a sense of fulfillment. Some retirees take up new hobbies. Other retirees indulge in hobbies they have enjoyed for several years. Activities that were relaxing in pre-retirement can be expanded and continued in retirement. Make a list of the things that you enjoy doing or have always wanted to do but never had the time for them. Find local community resources that support these hobbies. There may be others who enjoy doing the same hobby who have a regular group meeting to share ideas.



Other retirees choose to continue learning in retirement. There are often special low-cost educational opportunities for retired people. One example is the Elderhostel Program (<http://www.elderhostel.org>). Educational experiences can also combine new learning with travel.

Where Should We Live in Retirement?

Your retirement lifestyle will also impact your retirement housing choice. Consider your space needs for your daily living and for those occasions when you have visitors. Families with children who come home often for overnight stays need more space than families who rarely have overnight guests. If you plan to entertain company with meals, then you will probably want a separate dining room or a spacious kitchen where you can serve them. Should you stay where you are or should you move?

Make a list of the advantages and disadvantages of remaining in your present housing situation. This will be a good place to start when deciding whether to move to another home or remain where you are. Think about future physical needs and limitations. Many times, retirees desire to have all of their living area on one floor level.

There are reasons to remain where you are and reasons to move. You will have to decide by considering the options that are best for you. If you have always lived in a community, then you have connections with services you need, such as medical and dental services. You probably also have a favorite place to get a haircut.

If your present housing is too large or difficult to maintain, you might consider moving to something smaller. Often, simple maintenance tasks such as mowing the lawn and shoveling snow are jobs you cannot do. And it may be too expensive to hire others to do these tasks for you. Some retirees give consideration to the cost of utilities, taxes, and repairs for their current housing.

playing

Other factors retired people consider when deciding to move include changes to their present neighborhood, children living in a distant location, and access to shopping and medical facilities.

If you decide to make a housing change, compare the advantages and disadvantages of possible housing choices with your present housing. This will help you make a better decision about where to move. You might want to make a comparison of costs associated with the housing choices you are considering. Items to compare include your monthly costs for: mortgage or rent, property taxes, electricity, gas, water, repairs, and services. There may be different categories of expenses for different choices. For example, if you move into a condominium or retirement community, there may be a monthly association fee in addition to your mortgage or rental costs. Compare the total costs for each housing choice when making a decision.

If you are a homeowner, remember that when you sell your present home, you can utilize the capital gains tax exclusion for the increased value of your home. You can exclude up to \$250,000 in gain (or \$500,000 if you are married and file a joint tax return) provided you or your spouse have owned the home for at least two years and lived in it as your main home for two years. If you would like to have more information on this topic, obtain a copy of the IRS Publication 554, *Older American's Tax Guide*. You can view this publication online at <http://www.irs.gov/pub/irs-pdf/p554.pdf>

What Happens to the Things I Leave Behind?

Once you retire, be sure to review your estate plans. If you haven't made plans, you need to do so. Failure to think about your estate and having the proper legal documents for passing on your property to your heirs can result in large tax payments from your estate. Know what you have and the best way to leave it with a minimum of taxes. Assemble your estate planning team (see Extension publication, FCS5-423, *Your Estate Planning Team*) and get your plans made. Check the other estate planning publications available from your county Extension office.



Another legal device to have, if you don't already have it, is a Durable Power of Attorney. Some attorneys refer to it as a Springing Power of Attorney. This document allows your designee to take over and handle your financial and other affairs in the event you have a stroke, are involved in an accident, or are otherwise unable to make your own decisions because of a disability. Failure to have this document made before you become disabled means that your family will have to seek court appointment of a guardian. The appointment of a guardian takes time and can be costly. In addition, you may not be able to have the person you want as the person who handles your financial decisions. Take time today to phone a family attorney and have a Power of Attorney made for you.

Health care decisions are another consideration if you are unable to make your own decisions. Health care decisions can be detailed in your Durable Power of Attorney, or you may choose to have a separate health care directive made. This document must be made while you are still able to make your own decisions and cannot be made later.

I'm Retired, Now What?

With careful planning, you can enjoy a long and fulfilling retirement. Remember to communicate with your spouse about the things discussed in this publication. Communication is important to helping both of you enjoy your retired years. In addition, if you have children let them know your plans. Talk to them and keep them aware of your situation, plans, and needs. When you reach the point where you need help, they can step in and help you with a minimum of disruptions in your plans.