Seva
Wealth Management

05

Things to Know If You're Considering Early Retirement

Introduction

Are you considering retiring early? If you're reassessing the value of continuing to work, and weighing the benefits of exiting your career, you probably have questions. Whether or not you have enough retirement savings or other sources of income to create the retirement you want is the first question most people need to answer, but there are other considerations.

An effective retirement plan has a lot of moving parts to it, so it's a good idea to think through the various decisions you need to make and be sure you are tracking on everything before you stop working.

01 Making the Decision

THE PSYCHOLOGICAL IMPACT

Retirement is a dramatic shift. Once you stop working, almost every aspect of your life will change. Before you decide, you need to understand how you really feel about work and retirement. Ask yourself: Do I really want to retire?

THINK THROUGH:

1. Will you miss work?
2. What will your social life look like?
3. How will you create meaning for yourself?
4. Will you launch a new career or undertake part-time work?

The psychological impact retiring of shouldn't be overlooked, because it safeguards your mental health and puts you in a better position to budget effectively and make the right financial decisions.

02 Setting a Realistic Budget

What's next? Budgeting. It's the only way to get to a realistic number for how much income you'll need in retirement. That number will determine your investment plan, your social security decisions, and much more. Here's how to get started.

Make a list of all your expenses. These should be the things you have to pay every month – housing, heat, utilities, automobile, insurance, food, etc. Aim for an annual number.

Factor in the unexpected. Look at your expenses for the last three years to get a sense of big-ticket items, like unexpected repairs or purchases.

Make a list of the top five things you want your life in retirement to reflect. Travel, philanthropy, indulging an avocation. How much will you spend on each annually?

The total will give you an idea of how much income you'll need in retirement every year. The next step is to create that income. This requires factoring in your investment plan, your likely taxes in retirement, any other sources of income that will help you create a retirement paycheck, and your social security claiming decision.

03 The Financial Impact of Early Retirement

SOCIAL SECURITY

Retiring early means you'll be sacrificing additional years of wealth accumulation from your work. But don't overlook the effect claiming social security before full retirement age will have on your social security benefits.

Social security counts your 35 highest paid years, so the longer you work the more you replace lower paid years earlier in your career. This results in a higher benefit amount. If you don't know what your social security benefits will be or if you've paid enough in to maximize them – check it out here: https://www.ssa.gov/myaccount/

Your next decision is whether to claim social security as soon as you are eligible or wait for a few more years to take advantage of the late retirement boost. Depending on your other retirement income or savings, you may be able to retire early but still wait to claim social security. The difference in the monthly benefit for waiting until you hit or exceed full retirement can be very significant.

EARLY RETIREMENT

62

Lower Benefits

FULL RETIREMENT

65 - 67

(depending on birthdate)

LATE RETIREMENT

ENDS AT 70

Higher Benefits

Full retirement is the benefit you are entitled to, based on your work history, if you retire at your full retirement age (FRA). Retiring early subtracts from your full benefit and retiring late adds to your benefit amount.

The amount increases by 8% for every year you delay, so you don't have to make it all the way to age 70 to see some benefit.

MAXIMUM MONTHLY RETIREMENT BENEFITS FOR 2026

Early Benefits	Full Benefits	Late Benefits
$2,969	$4,152	$5,251

CAN YOU BRIDGE THE GAP WITH RETIREMENT SAVINGS?

Deciding when to claim social security may come down to whether you've created enough 401(k) or IRA savings to see you through. Accessing these savings can have tax implications both now and later. If you are retiring before age 59 1/2 and are over age 55, you may be able to avoid the 10% penalty for early withdrawal of these funds.

The more you draw down now, the lower these balances will be when you must start taking required minimum distributions (RMDs) at age 73. This will give you more control over your taxable income, which is important as up to 85% of social security benefits are taxable.

04 What About Health Insurance?

Medicare eligibility begins at age 65. There are several ways to bridge the gap if you're not eligible yet. These include part-time work that provides coverage, spousal coverage, or purchasing a policy through an Affordable Care Act exchange.

If purchasing a policy through the exchanges is the best option for you, think carefully about what level of care you need. The different tiers of plans allow you to control how much you pay for insurance, with the trade-off being how much the insurance pays towards your care.

If you are generally healthy and don't need to visit the doctor often, a lower tier of coverage may be the right choice for you. However, if you have existing health conditions or would just feel more comfortable with the ability to have more flexibility with your health plan, you may want to purchase a more comprehensive – and expensive – level of coverage.

05 Tactics to Consider

The steps above are the biggest things you'll need to think through, and they should help you create a roadmap. If retiring early isn't possible right now, think through what you need to do to shave a few years off and get an early retirement in focus.

Having an end goal in mind can help you plan and prioritize. There are some moves you can make now that can help get things aligned to create a successful retirement.

How many extra years should you work to boost your social security benefits? Even 1-2 additional years at a high salary can make a difference.

Can you prioritize paying down debt more quickly to lower your income number?

If you are married, there are several social security claiming strategies that can maximize benefits and help you get to an early retirement.

Give some thought to your tax planning – setting up the right account structures can optimize your savings and taxes.

Have questions about retiring early? We're here to help.

Disclaimer:

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We provide personalized, comprehensive financial planning and sound, independent guidance on investing, growing, and protecting your personal wealth and organizational resources, so you can achieve an abundant and fulfilling life, and your business or organization can magnify its impact.

We provide advisory services only where appropriate registration and licensing has been completed, and in the context of comprehensive financial planning.

Please contact us at **www.Seva.Wealth.com**, **Lisa.McCann@Seva-Wealth.com,** or **720-985-8930** to explore financial planning and discuss how this information may apply to your personal financial circumstances.

Schedule a Meeting Today!

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