LEGAL EASE

THE MERCURY PottsMerc.com

Kathleen Martin is an attorney with O'Donnell, Weiss & Mattei, P.C., and a newspaper columnist for The Mercury, which gave permission for this article to be reprinted.

April 3, 2011

Five phases to planning for retirement

There was a time, not that long ago, when "retirement planning" meant trying to figure out how to use time that was freed up by not having to go to work every day. Many people spent their entire adult life working for one employer, and a pension could be counted on at the end of that working life. The writers at Elder Law Answers (www.elderlawanswers.com) have recently published an article on the "Five Phases of Retirement Planning" that addresses the shift in retirement planning from scheduling volunteer activities to calculating the rate of return and deciphering tax rules.

It is a dramatic shift in responsibility to change from retirement plans that were largely or completely funded by the employer to the retiree needing to depend upon funds that he or she saved themselves. Elder Law Answers lists five stages of retirement planning that are the basis for being sure that retirement is feasible.

The first phase is **Accumulation**. This is when you enter the workforce and start setting aside funds for retirement, and ends at actual retirement. This is the time to take advantage of employer sponsored, if available, 401(k), 403(b), 457(b) plans, and to contribute the maximum allowed. The "new normal" requires retirement savings to exceed 10 percent of income. Self employed persons should be careful about shortchanging themselves on Social Security contributions to reap tax deductions.

The next phase is **Pre-Retirement**, which begins at age 50, or 15 years away from retiring, whichever comes first. This is the time to get your plan in place, working with a benefit specialist at your company if one is available, or finding a financial advisor who specializes in retirement planning. Learn about how to manage retirement funds, converting them to an IRA or a stream of income. Consider using a scenario planning tool. Start learning about Social Security and Medicare, and your options for both.

Phase three is **Early Retirement,** from the day you retire until you reach 70 years old. Some persons will work until or after 70, but for those who do not, the important task in this phase is to establish clear communications with family members. Additionally, it is the time to assess how the plan for retirement is working now that it is in action, fine tuning as you learn what your expenses are now. Required minimum distributions from tax deferred accounts will need to be taken soon.

Mid-Retirement begins at age 70, and continues as long as you are able bodied and high functioning. It is important during this phase to continue the dialogue with family in the event that your health takes a turn for the worse, and you are no longer able to manage your affairs. Continue to monitor your current planning, and seek competent advice on any changes that may need to be made.

Late-Retirement begins when your health has deteriorated, and there is little likelihood of restoration of former status. This is when your prior planning "pays off," and the management of this transition is as "manageable and life affirming as possible." For more information and detailed planning guides, go to www.elderlawanswers.com.