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Weekly Financial Article for the Week of February 4, 2008

A RETIREMENT PLANNING TIMELINE

30 … 40 … 50 … as time goes by, make sure you accelerate your planning.

When should you start saving for retirement? When do you really need to get serious about planning your retirement transition? Well, it depends on many factors. But along the timeline of life, there are certain things you might consider doing at certain ages. Your retirement planning can begin early in life, and remember that today is never too late.

In your thirties. Hopefully, you joined the retirement plan at your workplace right after you were hired, and you've contributed to that plan consistently. If not, you can start doing so. If your employer matches employee contributions, then contribute enough to trigger that match. Think about contributing slightly higher percentages of your income to the plan each year. This is also a good time to think ahead and adopt a long-range investment strategy, with defined goals in mind.

In your forties. This is a time when too many people go on autopilot when it comes to saving and planning for the future. At some point in your forties, it will be wise to confer with a qualified financial advisor to measure your retirement planning progress. You may not be saving enough, and you may need to catch up.

In your fifties. Of course, the federal government will let you "catch up" when you hit 50 – at least in terms of IRA contributions. At 50, you can not only contribute the maximum annual amount to your IRA ($5,000 for 2008, with an April 15 postmark deadline to earmark your contribution for tax year 2007), you can add $1,000 more each year in "catch up" contributions.[1] If you choose to retire in your fifties, you can pull penalty-free distributions out of your 401(k) beginning at age 55 if you really need the liquidity (but those withdrawals are subject to income tax).[2] At 59.5, you can tap into your IRA and other retirement accounts without a 10% early withdrawal penalty (if you have a traditional IRA, your withdrawal will generally be subject to tax unless you are using the money to buy a first home or fund education expenses).[3]

In your sixties. At 62, you can receive early Social Security benefits, but your SSI will be correspondingly cut by 25% or greater for the duration of your lifetime.[4] You can receive full benefits between 65 and 67. You may also choose to review and modify your portfolio at this point, adjusting for risk. A retirement plan rollover will encourage further tax-deferred growth of your accumulated assets.

In your seventies. At 70, even those who work have to sign up for Social Security benefits. At 70½ comes the first mandatory IRA distribution. At this stage of life, you should also have a relationship with a retirement advisor you trust.