Counting Down to Retirement

Is retirement getting closer? As you near your anticipated retirement date, it’s important to focus on your investments and how you’ll manage them during retirement. Here are a few suggestions to help you prepare for the countdown to retirement.

Adjust Your Holdings

First, look at your portfolio’s asset allocation to see if you need to adjust it. Your ability to recover from market downturns is generally reduced when you have a short time frame. You may want to shift a larger portion of your portfolio out of stocks and move the funds into bond and cash equivalent investments, which tend to be more stable than stocks and historically have presented less risk.

Even so, you’ll probably want to keep some stock holdings since they have the potential to outpace inflation. Inflation can reduce the buying power of your retirement assets before and during retirement, so it’s important to include investments in your portfolio that can keep pace with inflation.

Delay Your Retirement Date

If you’re concerned about not having enough money for your retirement, consider working longer. That way you’ll have more time for your retirement account to potentially grow before you start drawing on the money.

Compounding is the process in which investment earnings are added to your balance and reinvested so that you then have the potential to earn a return on your contributions *and* your earnings. The longer your money can benefit from compounding, the better. Postponing retirement also means you’ll need to live off your assets for fewer years.

Decide on Distribution Options

Before you reach your retirement date, take some time to consider your plan distribution options. If you take a lump-sum payment, you’ll owe income taxes in the year you receive the distribution, leaving you with less money to spend or reinvest.* Instead, consider arranging for the distribution to be directly transferred into an individual retirement account (or keep the funds in your plan account) so you won’t have to pay a large tax bill in just one year. You can withdraw the money over time and spread out your tax liability.

You’ll also want to estimate the amount you’ll need to withdraw from your savings each year to pay your expenses during retirement. The more you withdraw each year, the sooner your assets could be depleted. Plan your withdrawals so that your money lasts throughout your entire retirement.

** Qualified distributions from a Roth account are not subject to federal income taxes.*