

Easing into Retirement

Don't make the common mistake of thinking that one day you'll stop working and your retirement will take care of itself. A successful retirement takes planning. So, as you move closer to the time when you'll finally leave your job behind, consider what you can do to make the transition easier.

Figure Out Your Net Worth

Before you plan anything, you need to know exactly where your finances stand. By listing your assets and debts, a net worth statement can show you exactly how much money you'll have to work with. You'll see whether you're making progress toward eliminating debt and saving enough to reach your goals. (See our page three article on net worth.)

Review Your Asset Mix

As retirement approaches, you may want to move some of your money into less risky investments. However, don't eliminate all stocks from your portfolio just because you think you need to preserve your principal at all costs. Your retirement could last a long time. You'll want investments with the potential to earn returns that will keep you ahead of inflation while staying within your risk tolerance.

Know What You're Getting

Check on any benefits you'll receive from your employer at retirement. Will you be entitled to health insurance as a retiree? If not, you'll have to plan for the expense of providing your own. Even after you've signed up for Medicare, you may still want to buy a supplemental policy. And, if you participate in a retirement plan, become familiar with your distribution options before you have to decide on the best one for your situation.

Consider Taxes

You may be in a different tax bracket once you retire, and that may affect your withholding and the deductions you can claim — possibly for the better. Since you'll no longer be having income tax withheld, you'll probably have to pay quarterly estimated income taxes. And, keep in mind that changing your asset mix may have tax consequences.