

Timeline to Retirement

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Social Security
Retirement

SECURITY ADMINISTRATION
PROGRAM SERVICE CENTER

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About Project 2030

Project 2030 is sponsored by the Minnesota Department of Human Services and the Minnesota Board on Aging. The purpose of Project 2030 is to anticipate the impact of an aging society and help Minnesotans prepare for a healthy, secure future. The year 2030 is when the first wave of baby boomers will turn 85.

For more information,

- call 651-296-2062 or
- visit the web site at www.dhs.state.mn.us or mnaging.org

This information is available in other forms to people with disabilities by contacting us at 651-296-4862 (voice). TDD users can call the Minnesota Relay at 711 or 1-800-627-3529. For the Speech-to-Speech Relay, call 1-877-627-3848.

How Can Your Retirement Dream Come True?

Plan for it!

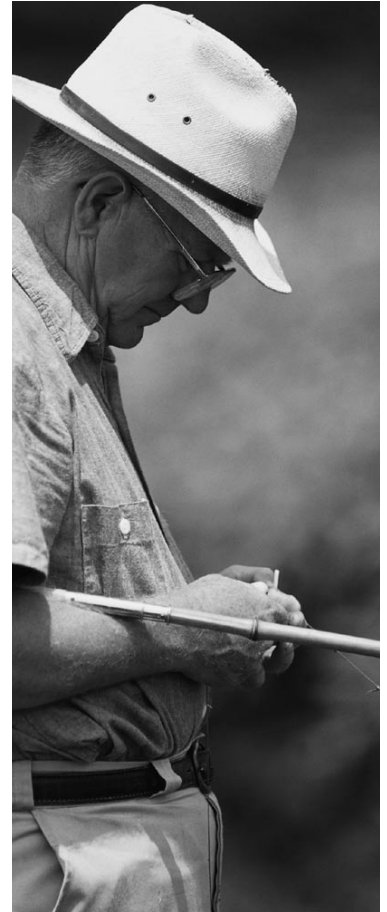
Planning for retirement is a lifelong process—not just something you do when you hit your 50s. Long-range planning will help you achieve the lifestyle and financial security you desire in retirement.

Project 2030, a state initiative housed at the Department of Human Services, is identifying the impact of an aging society and helping Minnesotans prepare for a healthy, secure future. It has the following vision for Minnesota workers:

- All workers will contribute to a savings account or invest regularly,
- All workers will receive employer-based retirement education through their employer or community, and
- All workers will be offered a retirement plan or payroll savings option by their employer.

The first baby boomers, born in 1946, will reach normal retirement age (65) in 2011, and early retirement age (62) in 2008. As they have done throughout their lives, the baby boomers are changing the way we look at everything, including retirement. Retirement is increasingly a time when individuals retire from their career job and begin other careers, go back to school, spend more time volunteering, provide care for grandchildren and/or parents, *and* also pursue desired leisure and travel activities.

To have a secure and healthy retirement, the planning process should begin when you *start* working. Fewer individuals are receiving a pension from their employer; health care costs are increasing rapidly, and retirement can last for 30 or more years. All of these factors make individual planning for retirement a critical step to ensure that retirement is an enjoyable, productive time.



*Here is
a guide to
the major
planning
milestones on
your journey
to retirement.*

*Think about
what you
want to do
when you
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retire.*

When retirement is still a dream, Take These Steps.

- When you start working, start thinking about your retirement and set up a filing system for important papers (you'll be glad you have them later).
- Think about what you want to do when you retire and do some of it before you retire.
- Learn from the retirement planning that your parents or co-workers did/did not do. Their experience may help you plan for your retirement.
- Review your spending habits; purchase what you *need*, not always what you *want*. This will help you invest for your future.
- Take advantage of payroll savings plans. Money you don't see is easier to save.
- Teach your children the importance of saving and investing.
- Put your financial and lifestyle goals in writing; make a plan for your future — including retirement.
- Search the Internet and libraries for information on retirement/life cycle planning. Attend all retirement planning and related informational events that you can.
- Prepare legal documents that protect you and your family, including a will, a health care directive, and an estate planning document.
- Include planning for your long-term care expenses in your financial plans. Because of longer life expectancy, there is a one in four chance that you will need some long-term care as you grow older, and you may not have family available at that time to provide care. Learn about long-term care insurance.
- Explore whether a financial planner would be helpful to assist you in developing plans and setting financial goals.
- Learn about saving and investing: join an investment club, read about it, check the Internet, the library, etc.
- Start saving or investing on a regular basis. Set specific objectives and goals.

- Enroll in or increase your contribution to any employer-sponsored deferred compensation plan, sometimes called 401K plans.
- Examine and pursue any tax advantages available to you.
- Read about and understand your pension plan, investment options and procedures.
- At age 50, a surviving spouse who is disabled can start collecting Social Security benefits on the record of a deceased spouse. A surviving divorced spouse who is disabled may be eligible if the marriage to the deceased person lasted 10 years.
- Before requesting a refund of your retirement contributions when you leave a job, review your retirement plan. If you leave your money in the plan, it will often pay a larger lifetime benefit than what you would get from reinvesting your refund.

Every Year, Take These Steps.

- Keep your filing system up to date.
- Evaluate your long- and short-term goals and needs.
Each pay period, invest as much as you can for retirement. Each situation is different but this is what the experts say:
 - save 15% of current pretax income;
 - save 10% out of every paycheck; or
 - save 10-12% of your gross income at a minimum.
- If you start late, these percentages must be increased sharply.
- Review statements you receive about your private savings and investments for accuracy.
- If your employer offers a match for contributing to the deferred compensation plan, take advantage of it.
- Review “Your Social Security Statement” you receive from Social Security each year. Check the annual wages posted to your record to ensure they are correct and match your personal records. Contact Social Security to resolve any discrepancies.



Think about what you plan to do in retirement—start a second career, work part-time or volunteer, travel, study, spend time with grandchildren, etc.

Every 5 Years, Take These Steps.

- Review your retirement plan; explore whether a financial planner might help you meet your goals.
- Review your will, health care directive and estate planning documents, and make any necessary changes.

10 - 15 years before you plan to retire,

Take These Steps.

- Think about how you plan to provide for health care and long-term care coverage when you retire.
- Include planning for your long-term care expenses in your financial plans. Options to consider may include long-term care insurance, reverse mortgages, private savings, etc.
- Check to see if your employer offers long-term care insurance, or look into an individual policy on your own. Long-term care insurance will cost you less if you purchase it when you are younger.
- Attend mid-career or pre-retirement sessions offered through your employer or local sources such as community education, credit unions, or insurance or financial services companies.
- Think about what you plan to do in retirement: start a second career, work part-time or volunteer, travel, study, spend time with grandchildren, etc. Start doing those things.

1-5 years before you plan to retire, Take These Steps.

- Review your retirement plans—social and financial—and make any necessary adjustments.
- Encourage people younger than you to start planning early for their retirement.
- Make sure that you and your spouse or partner are in agreement about all retirement plans, or that you support each other's plans.
- Determine where you want to live when you retire. Do you want to move to another state full-time or part of the year, move to another type of housing option or another community in the state, or stay where you are now? If you want to stay where you are, now is the time to make sure your house is accessible and will accommodate changes in your health status, e.g., laundry and bathroom on the first floor, wide entries and doorways.
- Update your resume, especially if you plan to work during retirement.
- Explore reduced hours of work to facilitate your transition to retirement. This will have financial implications. Check with your human resources office.
- 1-2 years before you plan to retire, attend retirement sessions or classes offered by your employer, or through community education or other local sources.
- Review your finances including your home mortgage, car, property taxes, etc., prepare a net worth statement and estimate your expenses in retirement. The amount needed will depend upon your plans for retirement. Some experts say you will need 70-80% of your current income to maintain your standard of living in retirement; others say up to 100%.
- Request an estimate of your benefits from your retirement plans.
- Determine how you plan to provide for health care and long-term care coverage in retirement.



As retirement gets closer,

Take These Steps.

- Schedule a physical to check out your health status; your plans may change depending on the results.
- Determine how you will provide for health care and long-term care coverage in retirement.
- Remember that Medicare covers only part of your health care and the related costs, and does not cover long-term care at all. Before you are eligible for Medicare at age 65, carefully review the options for providing Medicare supplemental health insurance, including HMOs. All these options tend to be more expensive than you realize. Keep in mind that if your employer offers retiree health insurance coverage (fewer and fewer employers are doing this), you may need to apply for that coverage right at retirement or within a few weeks in order to obtain it at all.
- Include planning for your long-term care in your financial plans. If you haven't already, consider long-term care insurance offered through your employer or individual policies.
- Consider whether or not you will continue any life insurance policies in retirement. This will depend upon the number of dependents you have and other risk management issues.
- Examine and pursue any tax advantages for older persons, e.g., discounts, tax deferrals, tax-free mechanisms.
- Contact Social Security 3 months before you reach age 62 to discuss starting Social Security retirement benefits at age 62 or at full retirement age, which ranges from 65-67.
- If you plan to work for pay in retirement, check with your pension plans and Social Security to find out about annual earning limits for your age. This means that for every dollar you earn over a specified annual limit, your benefit may be reduced. Right now, Social Security has limits for those who work up to age 65, but after 65, there is no limit on earnings.

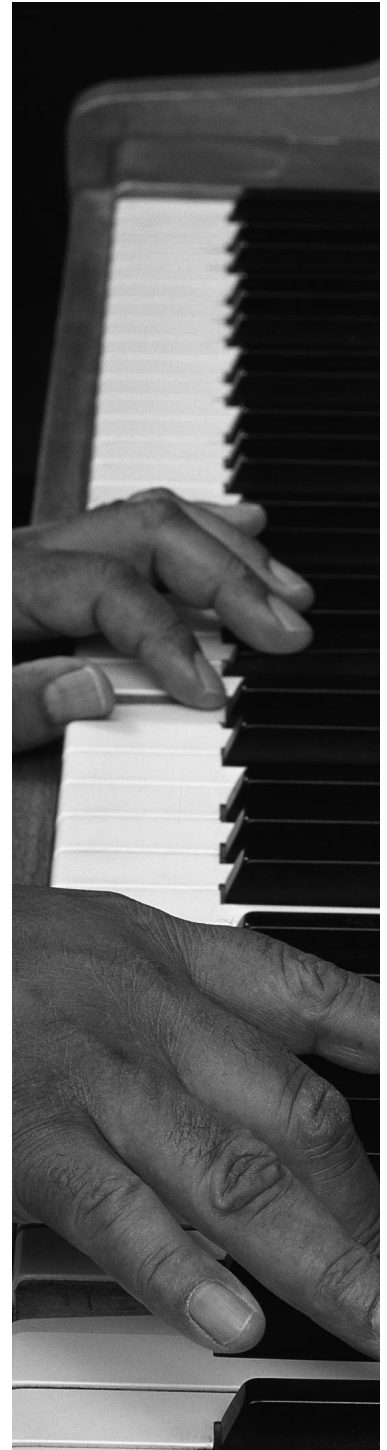
*Prepare
a post-
retirement
budget.*

- At age 60, a surviving spouse who is not disabled can begin collecting Social Security survivor's benefits. You can receive a percentage of the amount your spouse would have received upon reaching retirement age. A surviving divorced spouse may be eligible if the marriage lasted 10 years.

In the year you plan to retire,

Take These Steps.

- Notify your supervisor about your plans for retirement.
- Talk with Social Security, your retirement plans, and your human resources office to help you decide the best date for your retirement.
- Prepare a post-retirement budget.
- Check with your pension plan administrator at least a year before retirement to make sure their records are correct concerning length of employment.
- If there are deferred compensation match or catch-up provisions, take advantage of them.
- About 6 to 12 months before your anticipated retirement date, request an estimate of your retirement benefit from your retirement plans.
- Everyone age 62 and older should contact Social Security in January of the year they intend to retire to discuss the most advantageous month to apply for retirement benefits. Retirement benefits cannot be paid for any months before the month a person files an application for benefits. However, in some cases, depending on the individual circumstances, some people might be eligible for monthly benefits for months right before they actually retire or stop working.
- About three months before you reach age 65, you will probably be notified by Social Security that you have been signed up for Medicare – Part A. If not, contact Social Security to discuss applying for Medicare health insurance even if you have no plans to receive monthly Social Security benefits or if you plan to receive health benefits through an employer. If you continue to work





past age 65 and are covered by your employer's health insurance or are covered by a working spouse's health insurance, you do not need to enroll in Medicare – Part B until this coverage has ended. Individuals who are not covered by such insurance and do not enroll in Medicare at age 65 have to pay a costly penalty added to their Medicare - Part B monthly premium permanently. These rules can be complicated so check with Senior LinkAge Line® for current details.

Close to or at Retirement, Take These Steps.

- Review and update your post-retirement budget.
- About 60 days before your retirement date, meet with a retirement plan counselor and complete retirement forms, including which annuity option you plan to choose, verification of birth date, tax withholding, direct deposit, etc. The retirement application may also be mailed to you.
- Some employees who retire are entitled to a \$500 death benefit payable to a beneficiary designated by the employee, if at the time of death the employee is entitled to a pension. Sign the form available from your human resources office and give a copy to your beneficiary.
- Sixty days before retirement, review your health and dental insurance needs and finalize your plans for coverage in retirement. Remember that Medicare does not cover most dental, vision and hearing-related services or devices.
- Review all of your insurance policies for possible reduction or cancellation. Since you will no longer be commuting, your car insurance may be reduced. Do you still need life insurance?
- Contact Social Security to get an estimate of your monthly benefits amount, if you do not already have one. Also make sure you have all the documents you may need when you apply for Social Security benefits,

such as a birth or baptismal record, marriage and divorce records, last year's W-2 or self-employment income tax records, birth records of minor or disabled children, and bank account information for direct deposit of your monthly benefits.

- If you are divorced and your ex-spouse is entitled to any portion of your pension benefits, contact your retirement systems and file the appropriate documentation so that your pension benefit at retirement is properly and promptly divided according to the final divorce decree.
- Review all of your investments and determine when you will start withdrawing funds.
- Compile a list of people you want invited to your retirement party if you are having one (or people who should be notified that you are retiring).
- Get addresses and phone numbers of people in your work life with whom you want to keep in touch.
- Notify the retirees group at your work place of your address if you want to be invited to their functions.
- Notify any professional groups you belong to about your change in mailing address.
- Start taking your personal items home from your workspace.
- Keep your last regular pay stub, payout stub, union contract, pension authorization letter, or any other work-related paperwork. Tell your family where the papers are filed.
- Turn in your employee badge, parking card, and any employer-owned equipment you may have.
- Fill out your time sheet and employee expense report for the last time. Celebrate!

*Encourage
people
younger than
you to start
planning
early for their
retirement.*

In the year(s) after you retire,

Take These Steps.

- Cash your first Social Security and pension checks.
If you haven't completed a direct deposit application for your pension checks and want to start direct deposit, call your pension plans for applications. (All Social Security checks are deposited directly.)
- Encourage people younger than you to start planning early for their retirement.
- If you belonged to a union and retired before the union contract was negotiated, check with your human resources office as soon as you hear that the contract is settled to see if you have any benefits coming.
- Review the SSA-1099 form sent to you from Social Security which shows the amount of benefits you received in the previous year. You may need this form to prepare your income tax forms.
- When moving out of state, you may need to change insurance plans or other retirement benefit provisions. Check insurance coverages and legal documents for validity in your new state.
- Notify Social Security and your pension plans of any address changes or changes in your bank records for accounts where your monthly benefits are electronically deposited. Inform Social Security of any changes in marital status or any changes in the amount of earned income you receive.
- Identify a place where you can have total privacy and spend time there.
- List a dozen things you want to do during retirement (try for 100).
- Enjoy!

Retirement Planning Resources

Issue	Resource	Number/Website
Information and assistance on all senior services: health care, housing, caregiver issues, long-term care insurance, prescription drugs	Senior LinkAge Line®	800-333-2433 www.minnesotahelp.info
Social Security	Social Security Administration	800-772-1213 www.ssa.gov
Medicare	Centers for Medicare and Medicaid Services	800-633-4227 866-486-2048 (TTY) www.medicare.gov
Medicare supplemental health insurance	MN Department of Commerce	651-296-2488 800-657-3602 www.commerce.state.mn.us
Taxes, federal	Internal Revenue Service	800-829-1040 www.irs.gov
Taxes, state	MN Department of Revenue	651-296-3781 (Toll-free number no longer available) www.taxes.state.mn.us
Elder law issues	MN Bar Association Minnesota Board on Aging	www.mnbar.org/ www.mnaging.org/pdf/planning.pdf
Information for retired people	Minnesota Senior Federation Metro Senior Federation	877-645-0261 651-645-0261 www.mnseniors.org
Long-term care insurance	Senior LinkAge Line® AARP MN Department of Commerce	www.mnaging.org/seniors/healthinsurance/1tc/ www.aarp.org/confacts/health/priv1tc/ www.commerce.state.mn.us
Information for retired people	AARP	651-221-0101 800-424-3410 www.aarp.com
How much to save	American Savings Education Council (ASEC) Ballpark Estimate Calculator	www.asec.org/ballpark/index.htm www.socialsecurity.gov/planner/calculators.htm

Notice

This document contains information appropriate to do retirement planning in the State of Minnesota. Readers should note that the legal analysis of any situation depends on a variety of factors, which cannot be properly represented or accounted for in a brochure. This information is therefore intended as general information only, and is not intended to serve as legal advice or as a substitute for legal counsel. The hiring of a lawyer, investment consultant, estate planner, or financial advisor is an important decision that each individual should make, and should not be based solely upon advertisements or general information.

The Minnesota Department of Human Services is not responsible for any decisions made based on the information provided. No claim is made to the reliability of information provided. You are advised to check with the agencies directly to obtain current information before making any decisions.

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Minnesota Department of **Human Services**