

# A Retirement Readiness Checklist

By Tammy Flanagan

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Last week's [column](#) ended with a question: When is the best time to retire?

In my seminars I describe it this way: It's when you are financially and mentally ready for this change in your life -- with a little magic thrown in for good measure. The magic is when you wake up one morning with the realization that you're ready, and the time has come.

Before you get there, you'll need to ask yourself a series of questions. If you're married, are you ready to be with your spouse 24/7? Are your children awaiting your retirement so you'll be available to help with child care? Do you need to retire to be a full-time caregiver for someone? Have you discussed what retirement will be like with those who are closest to you?

Here's a common-sense checklist of things to consider while you're waiting for that epiphany to come and let you know it's time to go:

**Figure out how much money you'll need, and how much you'll have.** Will your spending patterns be different than they are now? It is important to calculate your income from all retirement sources. For federal employees this means estimating your retirement benefit, Social Security (if applicable) and potential income from Thrift Savings Plan investments and other savings.

**Consider the tax consequences.** Remember that most of your retirement income is fully taxable. There are a few tax breaks for retirees, such as the fact that a portion of Social Security benefits are tax-free. (Most people will pay tax on 50 percent or 85 percent of their Social Security retirement income, depending on how much other income they have). Some states provide tax breaks for seniors and retirees. Part of your federal retirement is tax-free on the federal level since you've already paid taxes on your retirement contributions. But don't get too excited -- it's a very small portion.

**Take a hard look at your savings.** Are you counting on your retirement savings to supplement your federal retirement benefit and Social Security? This raises a series of questions:

- How long is your retirement likely to last?
- How will you use your savings to create income in retirement?
- Will the income last as long as you live?
- What will happen to the rest of the money if there is some left over at the end of your life?
- Will you use a different strategy for managing your investments after you retire?

**Stress test your plans.** Create several scenarios, looking at different retirement dates. For example:

- You might be eligible to retire at 60 with 25 years of service, but how would it be different if you waited until 62 with 27 years? If you're under the Federal Employees Retirement System, you'd qualify for a higher calculation factor of 1.1 percent if you retire at 62 or later with at least 20 years of service. Plus, you'd be eligible for Social Security benefits instead of the FERS supplement, and you'd begin receiving annual cost of living adjustments on your FERS retirement benefit immediately.

- There are advantages to waiting even longer, perhaps to your full Social Security retirement age (between 65 and 67, depending on your year of birth). Social Security is reduced by 20 to 30 percent if you apply at 62.

**Consider the “what ifs.”** These could include changes in your health or that of family members. Maybe your children will need you to help them financially. Will you be able to pitch in? Have you considered what might happen in your later years, when you might need some assistance with day-to-day living?

Deciding when to retire is not a process that should be taken lightly. But it’s also exciting. After all, many Americans are living out their retirement dreams and find this time of their lives to be very rewarding. So what are you waiting for? Start planning!

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<http://www.govexec.com/pay-benefits/retirement-planning/2015/05/retirement-readiness-checklist/113914/>