

Are You Financially Ready to Retire? A True-False Quiz

By Tammy Flanagan

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“You can be young without money,” Tennessee Williams once said. “But you can’t be old without it.” When it comes to planning for retirement, there’s a difference between being eligible to retire and being able to afford it.

In working with federal employees, I’ve found that many think they don’t have enough money to retire, but in fact are more financially prepared than they realize. For example, I’ve met an employee with more than 40 years of federal service who is saving \$24,000 year in the Thrift Savings Plan, but still is worried about becoming destitute if he retires at 62.

Others have their eye on the eligibility milestone, but might be looking for a second career when their money runs out. I’m thinking of one who is planning to retire at 58 with the minimum required service of 30 years, but is struggling to contribute 5 percent of his salary to his TSP account. On top of that, he has all of the \$150,000 in his account invested in the G Fund. And did I mention he has an ex-spouse who will be receiving 50 percent of the first 20 years worth of value of his retirement benefit?

Financial planning during your career comes down to having enough income to cover your expenses. Planning for retirement is very similar, but remember that there are no promotions, step increases or locality adjustments in your retirement years. There are cost of living adjustments designed to maintain most of the value of your retirement benefits, but you still need cash reserves for unforeseen expenses.

To assess your financial readiness for retirement, ask yourself how many of the following statements are true for you.

1. I spend less than I earn every month. (This probably means you have no credit card debt and you are saving money beyond what you are investing in the TSP.)
2. I have prepared for the unforeseen cost of future health care expenses. I will maintain adequate health insurance, consider enrollment in Medicare Part B and have set aside funds to cover any unexpected medical expenses.
3. I have determined that my retirement income will be adequate for many years, even with increases in the cost of living. I understand that the [rate of inflation has averaged about 2.2 percent per year since 2005](#) but could be higher. I have factored in cost of living adjustments on my benefits and considered my TSP withdrawal options.
4. I understand that taking a systematic withdrawal from my TSP should not exceed 3 percent to 4 percent of my account balance, so the balance will hold up for a retirement that could last longer than my federal career. For example, if my account balance is \$300,000, then I should plan on withdrawing no more than \$9,000 to \$12,000 per year while keeping the balance invested in an appropriately diversified manner.
5. I have compared my net monthly wages to my net monthly retirement from all sources, including my federal retirement benefit, Social Security and savings in the TSP or other retirement savings plans. (Remember, while there are fewer withholdings from retirement income than from salary, retirement income is far from tax-free. Also retirees continue to pay the employee share of their health insurance premiums.)
6. If I am covered by the Federal Employees Retirement System, I have maximized my savings in the TSP beyond the 5 percent

that is matched by my employer. This statement is more important for higher-salaried employees and those who delayed saving for retirement during the early years of their career.

7. I have begun to downsize, rightsize and otherwise simplify my life in preparation for life after retirement. I have maintained my home so there are no major renovations or repairs that will be needed immediately after retirement or I have set aside funds to cover those expenses. I may consider moving to a lower cost of living area or to a less expensive living arrangement.
8. I have considered the cost of family members who might continue to be financially dependent on me, including my adult children, my grandchildren and my parents or in-laws.
9. I have created a vision of my life after retirement that I can afford and am excited about. According to retirement expert Barry LaValley, there are [eight keys to a successful retirement life](#).
10. I have considered the possibility of a second career or part-time employment to fill the gap if my retirement income will not provide adequate replacement income for my federal salary. For some federal employees, phased retirement may be a way to continue working part-time.

If you're not sure whether you're on the right track for a financially secure retirement, then you might want to consider engaging the services of a professional financial adviser. The Securities and Exchange Commission has compiled a [wealth of retirement and investment information](#), including advice on working with such advisers.

Photo: Flickr user [Ken Teegardin](#)

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<http://www.govexec.com/pay-benefits/retirement-planning/2016/06/are-you-financially-ready-retire-true-false-quiz/128964/>