



# PREPARING FOR AN EARLY OR UNEXPECTED RETIREMENT

## **More Americans are retiring earlier than you might think.**

Planning for retirement is without a doubt a long-term project that takes years of saving and adjusting to prepare for successfully. It certainly isn't a fix it and forget it endeavor. But no matter how well you prepare or how diligently you save, the reality is that health issues, company downsizing, a worldwide pandemic, or simply personal preference may put you face to face with an early or unexpected retirement.

How common is retiring early? According to a study by Allianz Life, more than half of Americans retire earlier than expected and for reasons outside their control. So how can you prepare for an unexpected retirement? Of course, you'll always want to consult with your financial professional before making any life-altering decisions, but here are some items to consider should you find yourself in this position.

### **1. Plan Your Exit Strategy**

Leaving the workforce is a process that involves far more than packing up your desk on your final day and heading for the door. Besides your steady paycheck, you'll be leaving behind other employer-related benefits such as health insurance coverage and retirement account matches. In order to receive all your benefits, especially in a profit-sharing situation, for example, you'll need to time your exit strategy with care. Do you have paid leave you can cash out? If so, when are you eligible to do so? Take advantage of all your benefits before leaving. After all, you earned them.

### **2. Consider the Tax Implications of Retirement Plan Offerings**

The structure and value of retirement plan options can vary greatly from employer to employer. If you are choosing to retire voluntarily, that is you aren't being offered a buyout or early retirement plan option, you'll likely be able to choose between taking a lump sum up front or phasing out your retirement benefits over time. Of course, you'll need to decide which option best aligns with your other retirement income sources and how the tax treatment will affect your after-tax, take-home amount. For example, if you expect to have a higher income down the road, you may choose the lump sum option now rather than later when the extra income could bump you into a higher tax bracket. In reverse, if you anticipate having a lower income later, you may decide phasing your benefits out is a better option.

### **3. Align with Your Spouse**

Your ability to manage your income and mitigate your tax burdens can largely determine the longevity of your retirement savings. Therefore, if you are married and pool your income with your spouse, you'll want to align your retirement plan options with theirs. Planning together will give you the highest probability of success for maximizing your long-term income, making the most of your social security benefits, and managing taxes over time.

#### **4. Decide on Healthcare Coverage**

You'll want to make sure you have healthcare lined up so you don't suffer a lapse in coverage. If you aren't yet eligible for Medicare, you will need to decide whether it is more beneficial to purchase your own individual insurance or extend your employer coverage through COBRA. Keep in mind, COBRA coverage is only available for a limited time after you leave your job so you'll want to make sure it bridges the time gap you need beforehand.

#### **What We Do**

Facing an early retirement may not be in your plans, but external forces outside your control could force this to become a reality. In the event you are faced with this decision, be sure to consider all the short and long-term consequences of your actions. No one wants to outlive his or her assets or become a financial burden on their family.

Before taking the leap, ask questions and discover solutions from a Retirement Management Advisor®. The RMA® designation is an advanced certification for advisors who want to mitigate clients' risks and master the retirement planning advisory process, all within an increasingly fiduciary environment. The RMA® program teaches financial professionals to take a holistic approach to your retirement needs. Retirement Management Advisor® professionals look beyond managing investments or retirement products and take a multidisciplinary approach to develop a complete framework for your retirement plan. Only an elite few advisors hold the prestigious, advanced RMA® certification, which is delivered by the Investments & Wealth Institute®.

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