Retirement Milestones That Matter

Making progress towards retiring comfortably, decade by decade.

Here's the thing about working: Most of us do it until we have saved enough so we don't have to do it anymore.

Most of us should have 70-80% of our yearly pre-retirement income available to spend during retirement. But for as hard as we work, nearly **half of us are at risk of being unable to maintain our pre-retirement standard of living**, according to a report from the Center for Retirement Research.

We want you to live a rewarding retirement, which is why we've outlined some important milestones and goals for you to keep in mind.

As you're reading along, if you feel you're a little behind, remember this: ***It's never too late to start making progress.***

Tim Adams

Tim Adams, CIMA®
Owner, President
The Princeton Group

https://crr.bc.edu/almost-half-of-todays-working-households-are-at-risk-of-a-lower-standard-of-living-in-retirement/

In Your 30s

Start a Savings Mindset

Time really is money as far as retirement is concerned, which is why saving as much—and as early—as you can could mean a difference of millions of dollars. Here's proof:

Retirement Account Balance If You Start Saving...

AT AGE 30: $5,097,836

AT AGE 35: $3,617,752

*Note: Assumes $0 to begin, contributing $3,125 per month (15% of $225,000 annual salary) at 6% return until retirement age of 67 with 100% of returns reinvested.

Saving 15% of your salary every year—the recommended minimum amount for retirement—might seem daunting when you're this young. Even impossible. After all, there are major events you're saving for or paying off (not to mention enjoying your youth).

- Down payment for a home
- Student loans
- Emergency fund
- Childcare

The important thing to do at this stage is to build your savings muscles, starting with contributing to the level of your employer match in your Qualified Retirement Plan (QRP) or IRA. It gets easier over time, we promise.

BY AGE 30: 1X AIM TO HAVE 1X YOUR ANNUAL SALARY SAVED FOR RETIREMENT

During Your 30s

- Slowly **build your emergency fund** to 6 months of living expenses
- Consider **high-yield savings accounts or I-Bonds** for shorter term savings goals
- Consider **non-employer life insurance policies** as your family and financial obligations grow
- Consider contributing excess, non-emploer matched funds towards a **Roth IRA** to enhance your retirement journey

THE PRINCETON PERSPECTIVE: Steady progress is the theme. Not everyone is able to max out every retirement account. Doing what you can as early as possible will pay off in the long run.

In Your 40s

Put Your Prime Earning Years to Use

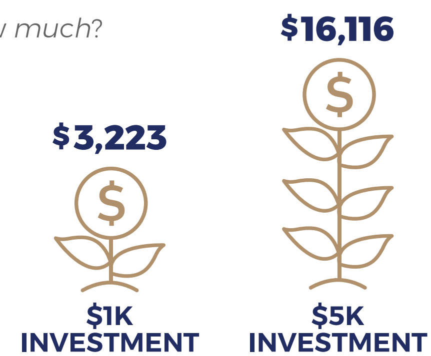
By now, maybe you've gotten a few promotions, advanced your career, have a larger income and perhaps even received some bonuses along the way.

For many, those bigger paychecks can lead to **"lifestyle creep"**—spending more on discretionary items or luxuries.

It's tempting. And make no mistake, you *can* spend more when you make more.

The question is: How *much*?

Let's use a one-time bonus of $5,000 as an example and look at the outcome of spending most vs. saving it all.



Assumes a 6% return over 20 years

We aren't advocating for you to pinch every penny. But it is important to think long term about what you can do with your extra income.

The more you save early on, the less you'll have to save later. Since a "bonus" is something above and beyond what is expected, our prudent advice is to invest a minimum of 10%.

BY AGE 40: 3X AIM TO HAVE 3X YOUR ANNUAL SALARY SAVED FOR RETIREMENT

During Your 40s

- Consider **paying down your mortgage** faster, depending on your loan rate
- Avoid growing reliant on **high-interest debt**
- **Revisit your investments** to see if you're overweight in certain industries
- **Review the expense ratios** of your ETFs or Mutual Funds, as these can diminish your real returns
- **Set up a 529 savings plan** or similar education fund for loved ones, if desired, after considering the investment objectives, risks, charges, expenses and other information contained in the plan's official statement, which can be obtained by calling your financial advisor.

THE PRINCETON PERSPECTIVE: Don't waste this decade. It could make up a good amount of your prime earning years. Reward yourself for the progress you're making but be pragmatic with how you spend your higher earnings.

In Your 50s

Use Age to Your Advantage

Up until now, retirement may have seemed more of a concept than a reality—one that's inching nearer by the day.

And starting in your 50s, birthdays take on an extra meaning. Not just because they represent the passage of time, but because there are milestones you can use to move up your retirement date.

When You Turn 50 you can "catch up" with your contributions, which means you're allowed to invest more of your income towards various investment accounts. If your financial situation permits, it's generally advised you take advantage.

	Traditional & Roth IRA	Qualified Retirement Plans	Simple IRAs
Contribution Limit	$6,500	$22,500	$15,500
Catch-up Contribution	$1,000	$7,500	$3,500
Total Allowable Contributions	$7,500	$30,000	$19,000

For year 2023.

The day you turn 59.5, even more options become available.

You can take a distribution from your qualified retirement plan without additional tax

You can rollover your qualified retirement plan into an IRA for more flexibility with investments

There's also the Rule of 55. When you reach this age, you can take money from your qualified retirement plan—for any reason—without incurring a 10% additional tax. But just because you can take a distribution doesn't necessarily mean you should, as it can decrease the future amount you have to live the most fulfilling retirement possible.

Please keep in mind that rolling over your qualified employer sponsored retirement plan (QRP) assets to an IRA is just one option. Each option has advantages and disadvantages, and the one that is best depends on your individual circumstances. You should consider features such as investment options, fees and expenses and services offered. Investing and maintaining assets in an IRA will generally involve higher costs than those associated with a QRP. We recommend you consult with your plan administrator before making any decisions regarding your retirement assets.

BY AGE 50: 6X AIM TO HAVE 6X YOUR ANNUAL SALARY SAVED FOR RETIREMENT

During Your 50s

- Use the **My Retirement Plan® Calculator** to see how long your savings will last
- Explore **Long-Term Care** insurance options
- Continue adding portions of your **bonuses, tax refunds and other lump-sums** towards retirement

THE PRINCETON PERSPECTIVE: Your 50s are when retirement becomes more real. It makes sense to speak with a trusted financial advisor to discuss your current situation and develop an action plan to stay—or get—on track.

In Your 60s

Welcome to Social Security and Medicare

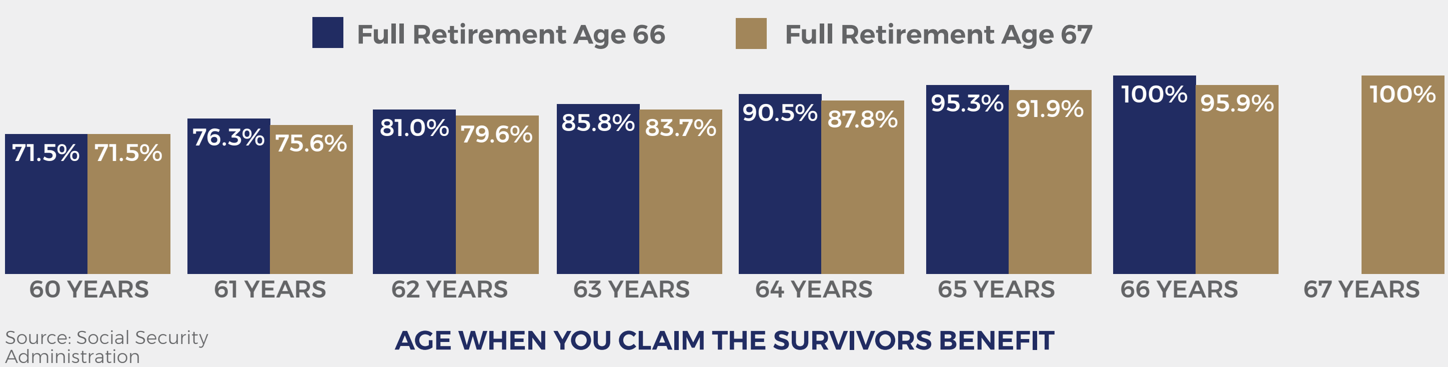
This is it: The decade you may very likely have been working towards—one filled with important, potentially **life-altering decisions**.

This is when you will reach your Full Retirement Age (FRA), can enroll in Medicare and claim Social Security (among other things).

Covering each of those in detail would take pages upon pages. We've included some of the most important milestones for you to keep in mind.

On Your 60th Birthday, you can receive minimum Social Security survivors benefits if you are a widow or a widower.

As with many of the topics we've discussed so far, just because you can doesn't mean you should.



Source: Social Security Administration

PRO: Claiming survivor benefits now can help delay taking your own Social Security benefits for as long as possible.

CON: Claiming earlier reduces the total amount of survivor benefits you can obtain.

Now, there are many, many other factors that go into your eligibility, including:

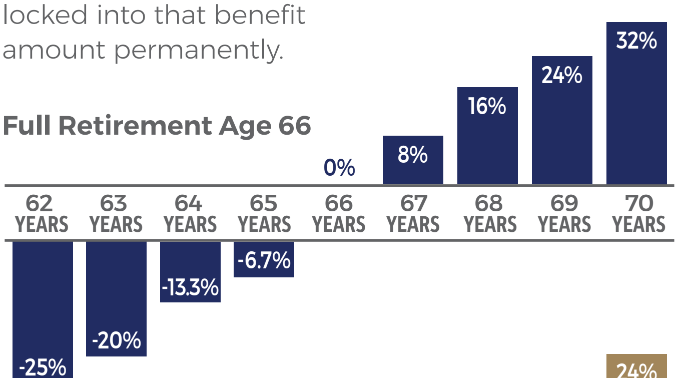
- You must have been married to your spouse for nine months
- If your spouse passed away before their FRA
- You have a "child-in-care"

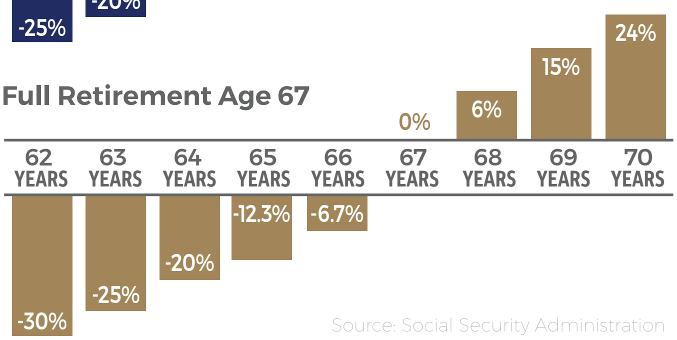
Discussing your specific circumstances with a certified professional can help you make an informed decision.

Beginning at Age 62,
you can claim your own Social Security benefits.

Ideally, you won't have to start taking Social Security for a few more years at least. The longer you wait, the greater your monthly payment once you reach your FRA.

Claiming Social Security benefits at this age can **reduce your entitled monthly payments by as much as 30%**—and once you claim, you're locked into that benefit amount permanently.





Source: Social Security Administration

When you turn 65,
you qualify for Medicare.

For many, that can be the best birthday gift of all. Your retirement date can "speed up" now that your health insurance is no longer tied to your job.

While this might prove to be a more affordable solution, it might be in your best interest to consider supplemental insurance options, often referred to as "Medigap."

Some of these options include supplements to:

MEDICARE PART A, which can cover ambulance services, durable medical equipment and inpatient/outpatient mental health services

MEDICARE PART B, that covers care in a skilled nursing facility, hospice care and inpatient hospital stays

MEDICARE PART D, which provides prescription drug benefits

NOTE: The above list is not all-inclusive. Supplemental plans and coverage can vary by state. As this is a such complex subject, we recommend you start by calling **800-MEDICARE** and requesting the "Medicare and You" handbook.

BY AGE 60: 7X AIM TO HAVE 7X YOUR ANNUAL SALARY SAVED FOR RETIREMENT

During Your 60s

- Identify all sources of **retirement income**, from Social Security to pensions and IRAs
- Develop your **retirement income strategy**—the earlier the better
- Create a realistic **retirement budget** to cover essentials (health expenses) and fun (travel)
- **Designate beneficiaries** for your assets if you have not done so already

THE PRINCETON PERSPECTIVE: The importance of having your retirement plan in place cannot be stressed enough. Many once-in-a-lifetime moments will happen during your 60s. Getting objective input from a retirement planning specialist can help you make the most informed decisions possible about your financial well-being.

In Your 70s

Put Maximums and Minimums to Use

By this age, you'll most likely have started a new chapter of your life. A blank slate of possibilities you can fill at your leisure.

You've worked so hard for so long to achieve **this ultimate milestone**.

But there are a couple more important dates that influence the income you'll have at your disposal during retirement.

When you Turn 70, you should claim your Social Security benefits if you haven't already.

Here's Why: Up until now, your Social Security benefits increased by 8% for each year you delayed claiming them from when you were first eligible at age 66 or 67, depending on your FRA.

When you turn 70, **your benefit no longer increases**, meaning there is no real advantage to you waiting any longer.

On April 1st of the year you turn 73,

you're obligated to take Required Minimum Distributions from any non-Roth IRA and certain retirement plans.

How much you need to withdraw depends on the account balance on December 31st of the previous year.

Using $1 million as an example, you would need to distribute $37,735.85 during the year of your 72nd birthday.

And if you don't take the minimum distribution within the first year, **you'll be taxed 25% on the amount not withdrawn**. However, per SECURE Act 2.0 legislation, the amount taxed may be reduced to 10% if corrected within two years.

In either case, this is a costly error you can easily avoid.

BY AGE 70: 20X AIM TO HAVE 20X YOUR ANNUAL SALARY SAVED FOR RETIREMENT

During Your 70s

- **Re-evaluate your estate needs**. This includes many items, including:
  - Keeping your will up to date
  - Updating general powers of attorney
  - Updating medical powers of attorney
- **Consider consolidating your retirement savings** by rolling them into one IRA

THE PRINCETON PERSPECTIVE: Those who continue to plan for their retirement—even when they *are* retired—find themselves in a better position to weather unforeseen market volatility, inflation, and even new legislature that can affect retirees.

Meeting annually at least with a financial advisor can help ensure your portfolio is positioned to handle "worst case scenarios" should they occur.

You've already achieved a retirement milestone by reading this: You're now better equipped than you were just minutes ago.

We hope you find what you read useful. But there is so much more you should know to be in total control of retiring the way you want. Ideally, you'd connect with one of our 20+ financial advisors to have a conversation that centers around your most recent milestone.

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The important thing is that you talk with someone you respect, no matter your age.

How you treat today will change your tomorrow.