Retirement: Are You Ready?
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Individuals may base their decisions about retirement on four factors: finances, their health, availability of health insurance and job satisfaction. Other factors that may affect retirement decisions are psychological and emotional readiness.

How Do You Know When You Are Ready to Retire?

Financial Readiness

Financial planning for retirement might be the first factor that comes to mind when thinking about retirement. Taking into account all of your income sources, will you have enough funds to support yourself? Follow these three steps to start a budget:

1. What do you want from retirement?
   • List your goals
   • Be as specific and practical as possible

2. What are your sources of retirement funds?
   • Social Security
   • Pensions and annuities
   • Retirement investments, such as IRAs or 401k plans
   • Home equity
   • Hobby-related income

3. What is your present level of debt and other expenses?
   • Mortgage or other loans
   • Credit cards
   • Regular expenses, such as utilities, food, clothing and taxes
   • Health care costs
Next, compare your income and assets with your debts and expenses. This will help you determine whether you'll have enough funds to support the goals and lifestyle you desire in retirement. If you don’t, consider the following questions:

☑ Should I work to support my retirement goals? Possible job options in retirement could include:

• Part-time, temporary or seasonal jobs
• “Bridge” jobs, such as freelance, consulting or contract work
• Starting your own business

☑ Should I cut expenses to save more money? Twelve cost-saving ideas:

• Pay off as many debts as possible to save on monthly payments
• Cut the cable TV and landline phone cords
• Limit dining out
• Downsize to a smaller home
• Share a car with your spouse
• Buy used items instead of new
• Research the most cost-effective prescription drug plan
• Move to a location with a lower cost of living
• Use senior and membership discounts
• Shift to higher deductibles for homeowner and car insurance
• End or limit the support you provide to adult children
• Share your home with a housemate or become a tenant in someone else’s home
Health Problems

Your health may affect your decision to retire. Health conditions that affect your mobility, such as arthritis or back pain, can make some jobs more difficult to manage. Other health issues that may influence retirement decisions include vision, diabetes and hypertension. Caregiving duties also play a role in retirement decisions.

If your health or someone else’s prompt you to retire earlier than you’d planned, review the Financial Readiness section of this guide for tips on creating a budget and cutting expenses. You may be able to work part time or find another type of job that will better accommodate your needs.
The availability of health insurance also is a factor in retirement decisions. If you’re employed and have health coverage through your job, that might be an incentive to delay retirement. Your employer may continue your health coverage when you retire, but that could come with increased premiums or other out-of-pocket costs. Can you rely on your employer’s health plan long term? What other options are available?

Medicare: The federal health benefits program is available to persons age 65 and older and persons with disabilities who qualify. If you are nearing age 65, it is in your interest to enroll in Medicare regardless of whether you have employer-sponsored coverage. You’ll also have to consider whether you want Medicare Part B, prescription drug coverage or Medicare Advantage, the managed care option. A health insurance counselor can help you decide what’s right for you. (Visit https://www.shiptacenter.org/ for more information about health insurance counseling.)

If you’re under age 65, you’re not yet eligible for Medicare. If your employer doesn’t extend your benefits in retirement, you’ll have to fill the insurance gap on your own.

COBRA: You may be able to continue on your employer’s plan for up to 18 months. However, your employer will no longer pay the premiums and other costs associated with the health plan, so be prepared for the added expense, which could be hundreds of dollars.

Healthcare.gov: You can connect with health insurance options through the Insurance Marketplace, which was made available by the Affordable Care Act.

No matter what type of health coverage you have, be sure to include premiums, coinsurance, deductibles and co-payments in your budget.
Job Satisfaction

Some workers may find they’re drawn to retirement when they’re feeling dissatisfied or disengaged at work. A desire to spend time with grandchildren or pursue hobbies and other leisure activities might prompt a decision to retire.

If you’re feeling dissatisfaction with your job, consider the financial factors involved in retirement before taking the plunge. While you could draw Social Security as early as age 62, that comes at a big cost. Those who delay Social Security payments until age 70 will increase their monthly benefit amount by about 75 percent.

Phasing into retirement, changing jobs, working part time and taking partial withdrawals from retirement accounts are ways to increase the life satisfaction of retiring while balancing the financial costs.
Psychological and Emotional Readiness for Retirement

Retirement brings a lot of changes. Did you know that even positive life changes can cause stress? If you're thinking about retirement, be sure to plan for:

☑️ Filling the hours that you previously spent on the job
  - Volunteer work that you find meaningful and productive
  - Lifelong learning courses to enhance your knowledge
  - Hobbies, such as gardening, painting, crafts and exercise
  - Travel, whether to nearby areas or distant locales
  - Spending time with family
  - A part-time job that can add to your income

☑️ Being with your spouse full-time instead of being away at work
  - Plan for time together
  - Support each other in separate interests

☑️ Giving up your career identity
  - Find volunteer interests that correspond with your career
  - Alternatively, choose activities that reflect interests you haven't had the chance to develop

☑️ Losing your built-in social circle of coworkers
  - Find activities that will allow you to socialize
  - Take lifelong learning courses
  - Consider book clubs, garden clubs and other organizations
  - Volunteer in your community to meet others with similar interests

Retirement is one of the biggest decisions we might make. By taking all of these factors into consideration, you will have a better idea of whether you're ready to retire.
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