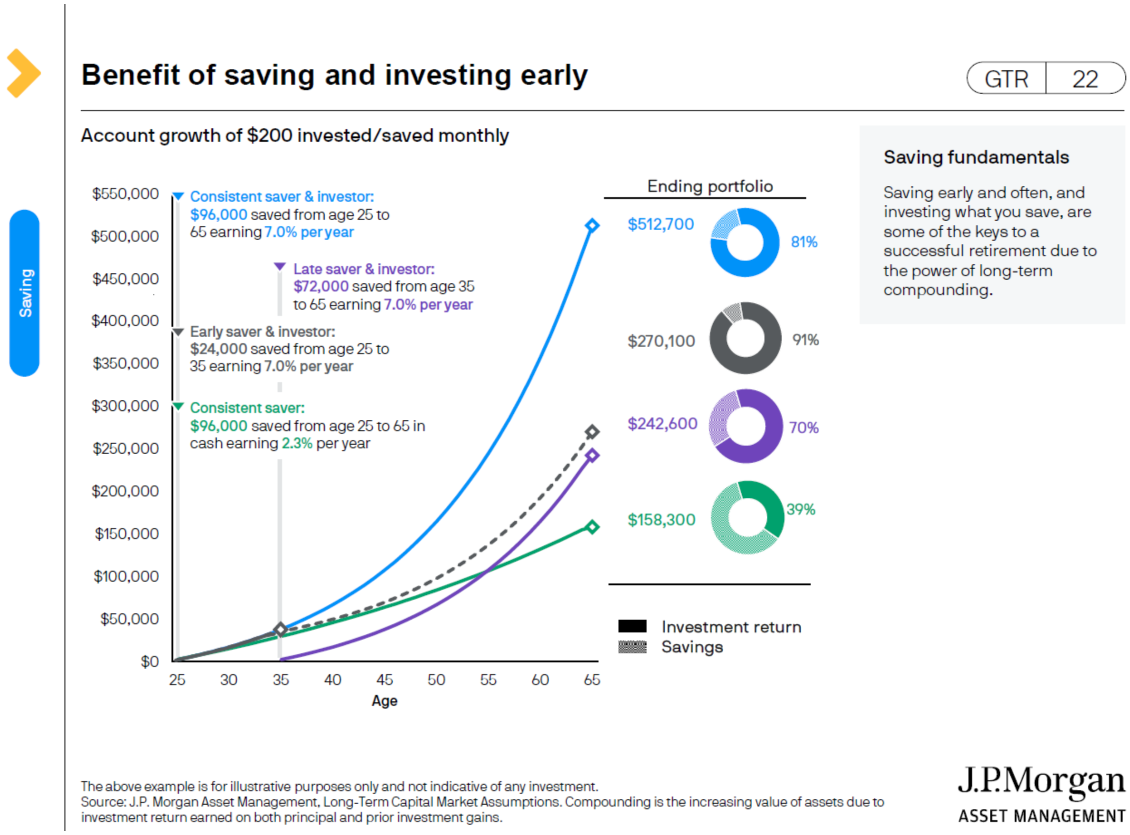
10 Pre-Retirement Planning Keys

Retirement is a significant life milestone that marks the end of a long and fulfilling career. It is a time when individuals transition from working life to a period of leisure, pursuing personal interests, and enjoying the fruits of their labor. Preparing for retirement can be a daunting task, requiring careful planning and foresight to ensure financial stability and a comfortable lifestyle. Below, we will discuss the pre-retirement keys to success, outlining the critical steps individuals can take to maximize their retirement years and achieve financial success.

1. **Keep a monthly budget and cash flow tracker**
2. **Establish an emergency account of 3 to 6 months of fixed expenses (mortgage/rent, car payments, utilities, etc.)**
3. **Pay off high interest debt that is above 6%**
4. **Establish and prioritize your savings order and debt payoff**
   - I. Establish emergency savings account (3-6 months of expenses)
   - II. Maximize your full employer match (if match is 5%, start with a 5% savings)
     - i. Regarding your employer retirement accounts (401k, Roth 401k, 403b, etc.)
     - ii. This is considered "free money" from your employer
   - III. Pay down high interest loans (over 6%)
   - IV. Maximize the rest of your 401k contribution amount (Up to $22,500 for 2023)
     - i. If you are 50 or older you can contribute $30,000/yr in 2023 (Catch up)
   - V. Utilize a Health Savings Account (HSA) (2023 -> Family $7,750/ Single $3,850) and/ or Flexible Spending Account
     - i. Make sure your HSA is INVESTED and taking advantage of market growth
     - ii. If you pay out of pocket and collect receipts, you can submit them at any time for a reimbursement – there is no time limit or deadline
     - iii. HSA contributions roll over to the next year, whereas FSA expires at the end of each year
   - VI. Save towards a non-qualified investment account (Brokerage, Individual, Joint, Trusts, etc.)
     - i. There is a constant debate where this lands in the savings order
     - ii. Since this account is always available and "liquid" we ideally want to be able to add money to this account each year to save up for short to mid term goals (new car, home, big vacation, education expenses, etc.)
   - VII. Maximize annual IRA contribution of $6,500 (2023) towards a Traditional IRA, Roth IRA (Single: Modified AGI is <$138,000 ; MFJ: Modified AGI is <$218,000), or a backdoor Roth IRA if income is above the previous amounts
5. **Establish systematic contributions (SAVE!) for 401k and taxable accounts**
   - I. Analyze 401k investment options, make sure you are taking full advantage of company match, vesting periods, and Roth 401k options.
   - II. If you are in the 24% bracket or lower, we highly recommend utilizing a Roth 401k throughout pre-retirement

III. *Compound growth is the primary driver for a successful retirement – it is about time in the market, not timing the market.



6. **Keep an aggressive investment allocation**

   I. When you are below 50 favor passive investments, keep investment cost low, and let it ride the market

7. **Make sure your estate documents are in order if you are married or have a child**

   I. It is essential to have a Will, Durable Power of Attorney for Financial Affairs, Durable Power of Attorney for Medical Affairs, Living Trust, and Living Will
   II. We recommend updating these documents every 5 years

8. **Establish 529 Education Savings account for your kids <u>early</u> and ask parents / grandparents to help**

9. **Analyze if it makes sense to do a Back Door Roth IRA contribution or Roth Conversion during years you have excess cash or income is low**

   I. If you have an existing Traditional IRA from an old 401k rollover (previous employer) – it could make sense to start the Roth Conversion with today's current tax rates leading up to retirement
   II. We want to avoid the retirement tax bomb when Required Minimum Distributions (RMD) kick in

10. **Stay educated and keep up a general market** understanding

   I. Keep a long-term, consistent outlook

In conclusion, preparing for retirement requires careful planning and execution. By setting clear goals, creating a retirement budget, paying off debt, saving for retirement, diversifying your investments, considering healthcare costs, developing a retirement income strategy, and staying active and engaged, you can maximize your retirement years and achieve financial success.

We strongly encourage sharing this with children, grandchildren, other family members, and friends you think this can be benefit.

If you have any questions, please do not hesitate to reach out!

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