

SMART WOMEN...

Smart Decisions



When It Comes to Retirement—Age Matters

By Susan A. Myers

In order to enjoy your retirement, you should have a good idea of how much money you will need each year to fund your desired lifestyle. To ensure that lifestyle, you will need to set aside enough money to supplement known sources of retirement income, such as a company pension and Social Security. Finally, it is important to be aware of how your age can affect your retirement decision-making. Here are some important age milestones to consider:

Age 55. If you take an “early” retirement, leave your job, or are otherwise terminated from employment, you may be able to withdraw money from **401(k), 403(b), Keogh, SEP (Simplified Employee Pension), and profit-sharing plans** without being subject to the 10% penalty tax for early withdrawals; your professional tax advisor can show you how this is possible. Careful planning is needed in order to meet IRS requirements, and failure to do so may result in a taxable event, plus penalties. Note: The preceding discussion is of exceptions to the 10% excise, and the separation from employment exception does not apply to IRA's.

Age 59½. Generally, you can withdraw money from traditional IRAs, SEPs, Keoghs, **Roth IRAs, and Savings Incentive Match Plan for Employees (SIMPLE) plans** without being subject to a 10% penalty tax. Note that the 10% penalty is increased to 25% in the case of certain premature distributions from SIMPLE IRA plans. Also, distributions from a Roth IRA may still incur a 10% penalty tax if the Roth IRA has not existed for at least five years.

Age 60. Widows and widowers are eligible for Social Security benefits.

Age 62. Some companies may allow retirement at this age with full pension benefits. Moreover, this is the earliest age for receiving regular Social Security benefits, but the benefit will be permanently reduced.

Ages 62–64 (or full retirement age). The earnings threshold for those still working and collecting Social Security benefits is \$14,160 in 2010 (indexed for inflation in future years). There is a \$1 loss (a “give-back”) in benefits for every \$2 earned above that amount. In addition, a portion of benefits may be taxed as income (based on a formula that includes one half of the Social Security benefits received, taxable income, and tax-exempt income).

Age 65. Most company pension plans provide full benefits. Medicare eligibility generally begins at this age. For those born in 1937 and earlier, age 65 is considered full retirement age.

Ages 65–67 (or the year in which full retirement age is attained). Traditionally, full retirement age was 65. However, for those born between 1938 and 1959, full retirement age is rising incrementally, and for those born in 1960 and later, the age for receiving full benefits is 67. The lower earnings threshold amount above still applies for years prior to full retirement age, and a second earnings threshold rule applies for the year in which full retirement age is attained. For those who are working and receiving Social Security benefits, there is a benefit loss of \$1 for every \$3 over \$37,680 in 2010 earned in months prior to attainment. Once full retirement age is attained, the earnings threshold no longer applies, and a portion of benefits may be taxed as income (based on a complex formula that includes wages and tax-exempt income).

Age 70½. Required minimum distributions (RMDs) from qualified employer retirement plans and traditional IRAs must generally begin no later than April 1 of the calendar year following the year in which you reach age 70½. (Note: Roth IRAs are not subject to the age 70½ mandatory distribution rules.)

As with all tax planning matters, be sure to consult with a qualified tax professional to help ensure your plans are consistent with your goals and objectives.

Please give me a call to discuss your financial needs.

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