



## The Best Time to Plan for Your Retirement

As adults, we typically plan everything; college, marriage, home buying, buying a new car, starting a family, and so on. Every milestone requires thought, energy, and, yes, money! But one of life's most significant milestones, retirement, often gets delayed in planning because it seems so far away. Once we realize we need to begin planning for retirement, it's almost too late!

To have a comfortable, secure, and fun retirement, you have to go through a planning process to get the best results possible. This article will cover the things you will need to consider in planning for your retirement.

**When Should I Start Planning for Retirement?**

**How Much Money Will I Need to Save Before I Retire?**

**How Do I Budget for Retirement?**

**When Can I Draw My Retirement income?**

**When Should I Start Planning for Retirement?**

It is never too soon to start saving for retirement. Your current age and knowing the age you wish to retire is the foundation of planning your retirement. The more time you have to invest, the more risk your investment portfolio can withstand. Planning for your retirement should begin when you leave school and start earning a paycheck. The sooner you start saving, the more time your money has to grow. The stock market is volatile, but your gains will continue to compound over time, and your savings will grow throughout the ups and downs of the market.

## **How Much Money Will I Need to Save Before I Retire?**

Any great result takes excellent planning first. You always want to start with a goal in mind. What kind of lifestyle do you want to have in your retirement years? How much traveling do you plan to do? Will you be downsizing your home, or do you plan to be a “snowbird” requiring more than one home? You will also want to consider some unforeseen situations such as medical bills, inflation, or increases in insurance costs.

Some financial advisors will say as a retiree, you should plan for spending around 70% of your income as a working adult. Depending on your retirement goals, this may not be true. Since you will no longer be working, you will have more time to travel, shop, and dine out. These activities will eat away at your savings. You will also need to consider if your mortgage and car loans will be paid off by the time you retire. Consider your lifestyle goals and plan accordingly.

## **How Do I Budget for Retirement?**

There are many things to consider when budgeting for retirement.

- **Major Expenses:** It is beneficial to list out all of your major expenses such as home repair, mortgage, loans, appliance upgrades, new car purchases, etc., and plan to either pay for those before we retire. If you are responsible for some of these significant expenses during your retirement years, you will want to factor in those expenses when planning for the savings you need to retire.
- **Additional Income Sources:** It is beneficial to list all the accounts you will be able to draw from during retirement to take a complete inventory of your monthly “paycheck.”

## **When Can I Draw My Retirement income?**

You can start receiving your Social Security retirement benefits as early as age 62. However, you are entitled to full benefits when you reach your full retirement age. If you delay taking your benefits from your full retirement age up to age 70, your benefit amount will increase.

The time you can draw from your investments will vary based on the type of investments you have.

**Roth IRA:** In general, you can withdraw your Roth IRA contributions at any time. But you can only pull the earnings out of a [Roth IRA](#) after age 59 1/2 and after

owning the account for at least five years. Withdrawing that money earlier can trigger taxes and an 10% early withdrawal penalty.

**Traditional IRA:** Once you turn age 59 1/2, you can withdraw any amount from your IRA without having to pay the 10% penalty. However, regular income tax will still be due on each IRA withdrawal. [Traditional IRA](#) distributions are not required until after age 72.

**401K:** The age 59½ distribution rule says any 401k participant may begin to withdraw money from his or her plan after reaching the age of 59½ without having to pay a 10 percent early withdrawal penalty.

Whether retirement for you is right around the corner or in the distant future, meeting with a [qualified financial planner](#) now to discuss your retirement plan is the best preparation you can do. At Lampco, our team and our partners are ready to assist in your planning. Give us a call today!