



RETIREMENT GUIDE

Key Steps to Take 5 Years Before Retirement

As an advisor with 30 years of experience, including years of specializing in retirement planning, I've gained valuable insight into what makes for a smoother transition into retirement. This guide will walk you through common-sense steps you can take to make the process more enjoyable

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Retiring is one of the biggest life transitions you'll ever make. It's a time of immense change, and it's essential to prepare for more than just the financial aspects. This guide will walk you through key steps to take in the years leading up to retirement, helping you create a plan that covers your finances, lifestyle, and well-being.

Meet With a Financial Planner

Getting professional help to plan your retirement may sound self-serving coming from a financial advisor, but the complexities of retirement planning make it a truly valuable step. An experienced advisor can help you navigate the many facets of retirement, from employer-sponsored plans and government benefits like Social Security and Medicare to things like senior discounts.

One of the most significant benefits of working with a planner is getting your investments right. Here are a few of the most common mistakes I've seen people make:

- **Being over-invested in stocks.** While it's great to take risks early in your career, you should consider reducing the risk in your portfolio as you approach retirement. I once had a client who listened to this advice and was able to retire on time, while a client who didn't listen had to delay their retirement after the 2008 financial crisis.
- **Having highly concentrated positions.** Holding too much of any single asset, whether it's company stock or another single investment, can be incredibly risky. I worked with a client who had \$1.1 million in GE stock and only \$90,000 in savings. I pleaded with her to sell the stock, but she refused. Within a year, GE's value dropped so much that she wasn't able to retire.
- **Leaving money in target date funds.** Target date funds are a great option when you're far from retirement. But as you approach the target date, the fund's automatic adjustments may not align with your specific situation. An advisor can help identify any shortfalls and create a more personalized plan.

Advisors can also help you create a sustainable income plan for retirement that factors in a realistic withdrawal rate, tax efficiency, and options for guaranteed income. The sense of preparedness that comes with having a solid plan can be invaluable.

Deciding Where to Live

Moving from a longtime residence is one of the most stressful life events you can go through, but it's a decision many people face as they enter retirement.

If you decide to stay in your current home:

Consider making some upgrades while you're still working to help offset the costs. While a new kitchen might sound more exciting, focus on the less glamorous but more essential projects. These include things like:

- A new roof
- New windows
- An upgraded HVAC system

You should also think about making your home more **age-friendly**. If possible, consider moving your bedroom to the first floor and installing grab bars in showers and other areas to increase accessibility. Finally, reduce outdoor maintenance by shrinking gardens and selecting plants and shrubs that require less care.

If you plan to move:

Do your research before committing. Visit the area multiple times and consider an extended stay to get a real feel for the community. Research the quality of local healthcare and look for doctors and specialists. I've seen many clients who have to travel thousands of miles to see their healthcare providers, which can be a huge hassle and cost.

You should also look at whether the area is growing. Growing cities often need to raise property taxes to pay for new schools and expand infrastructure. If possible, consider renting **in the new location for the first year** while keeping your old house. You can even rent out your former residence for the year. I recommend working with a real estate agent to manage it, so you don't have to be a long-distance landlord.

Get Your Spouse Involved

This may sound obvious, but it's a mistake I've seen countless times: one person handles all the retirement planning, assuming their spouse will agree with every decision. This often leads to a last-minute panic when the other person realizes what's happening.

I once had clients at the final stage of their plan, about to sign pension paperwork, when the spouse said, "Wait, what are we doing?" It's not a good time to review months or years of planning.

Failing to involve your spouse early can lead to disagreements about important topics like:

- Leaving money to your kids
- Pension payout options
- Investment portfolio risk
- Budgeting and expenses
- Where to deposit income

These are shared decisions that should be made together. Getting your spouse involved early will ensure you're on the same page and make for a much more pleasant retirement.

Pay Down Debt

For many years, low-interest rates made borrowing money cheap. But as your working years wind down and your ability to generate income diminishes, debt can become a heavy burden in retirement.

While it's ideal to retire with zero debt, that's not always realistic. The goal is to pay down as much as you can before you retire. If you can't eliminate all your debt, create a clear plan to manage payments in retirement. A financial planner can help you with a comprehensive strategy to manage debt in retirement.

Get Educated on Healthcare

As you age, you'll likely spend more time and money on healthcare. Unfortunately, navigating the rules and options is not for the faint of heart. Small mistakes, like when to file for Medicare Part B, can be incredibly costly. It takes time to review the various plans and figure out which one is right for you.

Start learning about healthcare options a few years before you retire. Many financial advisors and firms offer seminars and online tools to help. Be aware that healthcare is changing rapidly, so you need to stay up to date. You may think you know the plan you want, but your doctor or prescription may not be covered under that plan by the time you retire.

Review Your Employer Benefits

I once met with a prospective client who was applying for retirement. I just happen to be familiar with her employer and know their benefits. She shared with me that she was there for 24 years. I knew that once you had 25 years of service, you were eligible for a lifetime health care benefit. She only needed to work an extra six months to qualify.

Unfortunately, it's becoming more difficult to get a direct appointment with a human resources representative. Still, it's worth the effort. Ask what benefits are tied to your years of service and your retirement date. Sometimes, delaying your retirement by just a few weeks or months can entitle you to a greater pension benefit, a large 401(k) contribution, more stock options, and other benefits. Cumulatively, I have seen people forfeit millions of dollars in benefits, with some losses reaching hundreds of thousands of dollars at a time.

Consider What You'll Do With Your Time

Once, I was having lunch with a recently retired executive who happened to be back at the company for an event. We were in the company cafeteria eating lunch, and I could sense he was not himself. I asked what was wrong, and he said to me, "I feel like I went from who's who to who's he overnight". Many people fall into a depression after

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retirement because they feel they've lost their identity. It's important to plan for this psychological transition, not just the financial one. The good news is that most people find their way after a year and feel much better.

Here are some ways to prepare for this transition:

- **Explore a phased retirement.** More and more industries are offering this as a way to retain experienced employees and allow them to pass their knowledge on to the next generation. It's a win-win situation, and it will enable you to test the waters of retirement gradually.
- **Create a bucket list.** Retirement is the perfect time to do all the things you put on the back burner during your career. Create a list of these items and begin checking them off.
- **Volunteer.** Your career knowledge and skills can be a huge asset to non-profits and other organizations in need. There's no shortage of people and organizations that need help in this world.
- **Reconnect with people.** Let people know you're retiring and will have more time to get together. Make a point to reach out to old friends and family members.

Planning for your retirement is about much more than just money. It's about preparing for a fulfilling life and a smooth transition into your next chapter. I hope you found this guide insightful and that it helps you confidently take your next steps.

Schedule your Free Consultation



Please consider scheduling your free consultation by emailing me at info@synergywm.net or visiting www.synergywm.net/contact.

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