

A Simple Retirement Checklist for Each Stage of Life



Key Ideas

1. Discover the no-brainer first step everyone must do – starting today!
2. Find out which advanced strategy is seldom used but amazingly powerful.
3. Learn why formal retirement planning too early is actually a bad idea.
4. Uncover the exact action steps required in the years immediately before retirement.

Retirement Planning Checklist



Retirement planning doesn't have to be complicated.

You don't need a degree in finance, and you don't have to read a bunch of books to understand the important action steps.

For the bulk of your working years, there are just [a few important and very simple actions](#) that need to be done right.

The rest can be figured out in the years immediately preceding the day you retire.

That is why we created this retirement planning checklist: to demystify the vagueness around retirement planning, simplify the process where appropriate, and provide a step-by-step guide so that you can do those few important things right at each stage of your life.

This retirement planning checklist is an easy-to-use reference for people who have other things to do besides get a degree in financial planning.

Retirement Planning Checklist in Your 20s: Save Money & Build Assets

You're out of school and you've begun working at your first job. You're finally on the path to independence after relying on your parents or other adults all your life.

The future is in your hands, and so is your financial security.

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Let's face it: at age 25, your priorities don't include reading books on retirement planning.

Yet, if you don't begin the process of saving for retirement now, it'll only get harder with each passing year.

You stand at a crossroads. You can choose between good money habits or financial ignorance.

You can take the easy and secure path to financial security by saving from each paycheck... or you can follow the more common path of consumerism and financial mediocrity by putting it off until later.

Which path you choose will largely [determine your financial outcome in life](#).

Admittedly, saving for retirement is easier said than done for most in their twenties because old age seems impossibly far away. Why save for it now?

The Importance of Starting Now

There's plenty of time so it's not a priority. Right?

Not really. Every 60 year old that started building their assets later in life wishes they started earlier.

[The math is simple, compelling and undeniable](#). And that's good news: there's no need to get complicated at this stage.

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You don't have to read investment books, get a masters degree in finance, or build some fancy plan, because that would only cause you to put off doing what is important at this stage.

Trying to immerse yourself in complicated materials doesn't do anything to help you. Instead, it serves as a great excuse to *not* get started because you feel overwhelmed.

But that's the *only* thing to do right now: just get started.

"Sometimes the questions are complicated and the answers are simple."

– Dr. Seuss

How to Begin

One simple action is sufficient. Here's what you can try to get started today:

- Max out your government sponsored, tax-deferred retirement plans. Your employee benefits department, accountant or any mutual fund company can show you how.
- If your company offers a 401(k) or similar plan, contribute the maximum.
- Fund either a traditional IRA or Roth IRA to the maximum amount allowed by law. (Self-employed? Try the SEP IRA.)

Put as much money into tax deferred savings as you can. Few things are black-and-white in financial planning; if you're in your 20s or 30s, you're in luck: you just found one of them.

Just do it and get started.

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Want Retirement Planning Extra Credit?

For those that are savvy wealth builders, an [additional smart strategy at this stage in life is to buy real estate](#) with a fully amortizing, fixed-rate mortgage that can produce income and provide positive cash flow.

Notice the details of that last sentence: *positive cash flow, fully amortizing fixed-rate mortgage*. These are important details. Don't gloss over them.

Rather than rent an apartment, buy a starter home or a small apartment building that you can live in now and use as a rental unit later.

The fully amortizing loan will be paid off by the time you're ready to retire, and [you'll have inflation-adjusted income you can never outlive](#).

This is also a very good strategy for people who choose lower paying careers, thus making it harder to save large amounts of money in retirement plans.

Skilled deal-makers, handymen, and construction workers with specialized talents can also benefit from this investment approach.

These two strategies may sound aggressive, but anyone in their 20s or 30s today must own up to the idea that the Baby Boomers will either bankrupt Social Security, or change it beyond recognition.

You can't depend on Uncle Sam to pay for your retirement. If you're going to retire in style, then it's up to you to make it happen. You're on your own. Sorry, but that's reality.

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To sum up, here's all you need to worry about right now:

1. **Max out your tax deferred retirement plan contributions:** This is the no-brainer first step that everyone should do. It requires no education or financial experience so you can start immediately. It's as simple and direct as anything gets in the financial world.
2. **Acquire positive cash flow rental property:** This strategy is for more aggressive wealth builders with the skills and inclination to go one step beyond the basics. It's not necessary and isn't for everyone, but it has the unique advantage of providing inflation-adjusted income during retirement that you can never outlive.
3. **Oh yeah, and don't forget to have fun!** You're only young once.

Don't worry about creating a highly-detailed plan at this stage of life. Complicating your situation will only serve as an excuse for procrastination.

You don't need to learn about retirement planning or hire a financial planner. Just [follow these two simple action steps](#) designed to put you in asset accumulation mode and never touch the savings that accumulate.

If you keep it simple and get started with accumulating assets, you'll complete all the retirement planning that's necessary at this stage of life.

Retirement Planning For Mid-Career: Grow Your Assets and Financial Intelligence

Mid-career is defined as the period following your 20s and 30s, but ends 5-10 years before your retirement.

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The length of “mid-career” retirement planning varies widely from person to person: some will retire in their 30s, and others won’t retire until their 70s.

Some will have very long “mid-careers”, and others will have very short “mid-careers”.

Your retirement planning objectives for mid-career are twofold:

1. [Grow a nest egg large enough to support retirement.](#)
2. [Grow your financial intelligence](#) to make smarter, more profitable, financial decisions.

Your twenties were about getting started building assets. Your mid-career years are about turning up the volume on asset growth and your financial skills.

It’s the beginning point of real retirement planning, but is still too far away from your actual retirement date to benefit from formality and over-planning.

“Our life is frittered away by detail. Simplify, simplify.”—Henry David Thoreau

The reason you don’t want to get into formal retirement planning yet is because too many factors will change between now and when you actually retire.

Much of the planning you’d do now would just be invalidated by the time you reach actual retirement.

Instead, focus the available resources you do have where they can make a difference.

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Emphasize your investment skills to [grow your assets by developing your financial intelligence](#).

It's a skill that will pay you for a lifetime, and by now your assets should be large enough to justify the time and effort required.

Below are the mid-career action steps that you can add to the savings process you already put in place during your 20s:

- **Build Your Financial Intelligence:** Now is the time to [begin learning more about investing](#) and personal finance. Read books, listen to audio courses, and study the investment masters. You need to learn what works and what doesn't with investing, so you can [hire smart money managers](#) and make wise investment decisions. The reason this is important is because the return on your assets will be a far greater determinant of your financial security than your savings abilities, and the return on your assets is a function of your investment knowledge and decision making. By contributing to your investment education regularly, you're compounding your financial intelligence, just like regular contributions to your savings compound your wealth. It's essential to a secure retirement and true financial independence.

"Employ your time in improving yourself by other men's writing so that you shall come easily by what others have labored hard for."—Socrates

- **Keep Accurate Records:** Another habit to develop in mid-career is good record keeping. You want to run your finances like a business. That's exactly what it is: a financial management business. Maintain expense records showing how much you spend and where it all goes so that you know how much income you need to retire securely. Keep your investment records efficiently organized and monitor the progress of

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your assets. Treat your money with the respect it deserves, and it will respect you back by sticking around and growing in your accounts.

- **Create Your First Ballpark Estimate:** Make your first attempt at figuring out [how much money you'll need to retire comfortably](#). Don't worry about doing it perfectly, because so much will change between now and retirement that perfection and accuracy are impossible. All you want to do is create a ballpark estimate so that you can get your head around the size of the goal and whether or not you're on track. Determine the low end range of acceptable savings required using optimistic assumptions, then determine the high end range using pessimistic assumptions. Reality will likely be somewhere in between. This task is easily completed using our free [retirement calculators](#).
- **Never Raid Your Retirement Accounts:** This should go without saying, but just in case there was any vagary – you can never, ever raid your retirement accounts to support current lifestyle. If you lost your job and can't find a suitable position, then take an unsuitable position, but don't use retirement savings as an easy solution. If the car is broken, then fix it, but don't buy a new car with your retirement money. Whatever problem you face in life must be solved as if your retirement accounts don't exist. They will always appear as the easy solution to life's economic difficulties, but that will only create bigger problems for you in the future, and defeat the whole purpose of saving for retirement. The truth is you'd find a solution if you didn't have the retirement plans, so just assume they don't exist and find that solution anyway. Never raid your retirement accounts – never. Did I say never? Yes, never...ever.
- **Think Long-Term:** [Your habits will determine your success](#). Every day you make a choice between consuming today, and delaying gratification by saving and investing for consumption tomorrow. You can enjoy a BMW or Lexus today, or you can invest that money so that you can enjoy a lifetime of BMW's and Lexus's. Similarly, you make a

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choice every day between the mindless rot of television, or growing your financial intelligence with good investment books and seminars on CD or DVD. The habitual way you spend your limited resources of time and money during mid-career will determine your long-term financial success. It's not how much money you make that determines your financial success, but what you do with what you make. Your habits will determine your success.

Checklist For 5 To 10 Years Before Retirement

Up to this point, the retirement planning process has been intentionally oversimplified so that you don't get distracted by unnecessary information that might divert or delay accomplishing the most important tasks.

Your responsibility so far has been to [build a solid foundation of good financial habits](#) so that you can grow your assets and grow your financial intelligence.

Now it's time to up the ante because retirement is within sight. You have a limited number of years remaining to adjust for any errors or shortfalls.

"We think in generalities, but we live in detail." – Alfred North Whitehead

It's time to [take retirement planning seriously and dig into the details](#). You're getting close enough that time is running short.

Any critical adjustments must be made now while there is still sufficient time to change course. In order to know what adjustments to make, you'll have to get more detailed.

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Below are some actions steps to consider now that you can see light at the end of the retirement tunnel:

- **Build Your Dream:** Grab a favorite bottle of wine, [relax with your spouse, and share your dreams for retirement](#). You want to answer the “what, where, and when” questions. Where do you want to live? What do you want to do? When do you want to do it? Answering these questions is essential because they determine “how much” your retirement will cost. You must know the “what”, “where” and “when” of retirement planning to go to the next step and figure out “how much”. Think in stages, because the early period of retirement when you’re active and traveling will be very different from late stage retirement. Build a vision that both of you are excited to live. For the whole story on how to complete this step, please see [Five Essential Questions For Pre-Retirement Planning](#) on this site.
- **Create A More Accurate Ballpark Estimate:** Once your dream for retirement starts taking shape, you can then sharpen your pencil when estimating “how much” assets and income you’ll need to retire securely. [Your dream for retirement determines the cost](#). Five-star travel is more expensive than camping, and playing golf costs more than playing bridge. Where you live and what you choose to do will determine your financial needs. It’s [time to tighten up your budget estimate](#) and determine if your assets are on track or lagging behind. With just a few years to go, you have precious little time to make adjustments. For the whole story on how to complete this step, please see [How Much Do I Need To Retire](#) and [27 Retirement Savings Catch-Up Strategies For Late Starters](#) on this site.
- **Consider Paying Down The Mortgage:** If your savings is on track and there is still more money than month, then consider [paying down your mortgage](#). There are many advantages to living mortgage-free in retirement: not only does it lower your monthly income needs, but your

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home is a uniquely protected asset against certain debts and financial obligations. Many retirees feel more secure and sleep better at night when they own their home free and clear.

- **No More Consumer Debt:** Consumer debt including auto loans and credit card debt are a no-no at this stage of the retirement planning game. Debt is antithetical to wealth building and financial security. You should only spend what you can afford because *retirees need to earn interest – not pay it*. [Eliminate debt and learn to live within your means](#) now before it's too late.
- **Take Care Of Your Health:** There's not a lot of value in spending your working years building a robust nest egg only to die of a heart attack before you get to enjoy it. As youth fades, your body becomes less tolerant of poor health habits. It may be a cliché, but now is the time to build the habit of exercising and eating right so you can add more years to your life and more life to your years. Get regular checkups and screenings so that any problems can get caught early enough to do something about them. Take care of your health now so that you can live a long, full retirement.
- **Encourage Independence For Dependents:** You may be at a tough stage in life where aging parents need help and adult children are just getting started. When you get squeezed at both ends like this, it's hard to take care of your own retirement planning needs at the same time. If your kids are out of school and not disabled, encourage their independence. Empower instead of enable. It's important to respect your financial needs as much as everyone else's.
- **Review Your Insurance Coverage:** [Life insurance that was appropriate](#) when your savings and kids were both small may be a wasteful expense now. Alternatively, it may be appropriate to raise the liability limits on your home and auto insurance policies and consider an umbrella policy as your assets grow. You should also understand

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long-term care insurance and how it fits into your overall financial plan. You're entering a different phase of life, and your insurance needs should change to mirror life's changes.

- **Get Defined Benefit Plan Estimates:** Contact Social Security and your company's human resource department to get a benefits estimate based on possible retirement dates. How are your benefits affected by your expected retirement age? Are any special severance packages being offered? What career changes can increase or decrease benefits? What about health care insurance? Learn the [arcane rules and intricacies for both the public and private pension systems](#) so that you can plot a strategy to maximize the benefits you will receive. This knowledge can make a significant difference.
- **Get Health Insurance Estimates:** It's time to determine what Medicare supplemental insurance will cost and get estimates for self-insuring the time period between when you retire and when you qualify for Medicare. Fidelity Investments estimates that a couple retiring at age 65 with no employer health coverage will need close to \$200,000 just to fund out of pocket medical expenses in retirement. These numbers are significant and must be built into your budget.
- **Get A Second And Third Opinion:** Get referrals for at least two fee-only financial planners who specialize in retirement planning. Have them look over your portfolio, budget, and investment allocations and provide additional opinions. You want to make sure you haven't overlooked something important or completely misjudged the situation. Fee-only financial planners can help you sort out some of the more technical questions like taking Social Security early or waiting until later for bigger benefits. Should you take a lump-sum retirement plan distribution, or monthly payments? What is the best order of liquidating assets to support spending in retirement? What is their recommended asset allocation and investment structure?

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These questions are complicated and vary with individual circumstances.

The fee charged for the personal advice is cheap insurance for the value provided by having an educated, second set of eyes look over your retirement plan.

Just [don't let them sell you any investments or insurance](#). You want impartial advice – not a sales pitch.

I would be remiss if I didn't mention that a [retirement planning coach](#) such as myself can be very valuable as well. See our page [contrasting financial advice with financial coaching](#) to decide which is best for you.

If you and your hired experts agree that you're on track for a secure retirement, then congratulations, you're a retirement planning genius.

On the other hand, if it looks like you're lagging behind, then now is the time to do something about it. (Again, you can check out [27 Retirement Savings Catch-Up Strategies For Late Starters](#) to learn how to correct the problem.)

Also, because this stage of retirement planning is about detail, it's important to understand the limits to what can realistically be accomplished here.

The [scientific appearance of the retirement planning process paints a deceptively detailed picture](#) about what is essentially an artistic and inherently imprecise process.

[Don't be deceived by the mathematical precision of it all](#). Retirement planning deals with the vagaries of life – not the precision of science.

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For these reasons, it's wise to use a range of assumptions from pessimistic to optimistic to determine how secure your retirement plan is.

[Try inflation at 7% rather than the customary 3%](#) and watch the impact.

Throw a bear market, cancer, and Parkinson's disease at your plan and see how it holds up.

Ultimately, no retirement plan is ever complete no matter how accurate it appears today.

This is just the unfortunate reality of making a long-term bet on an unknowable and unpredictable future. Do the best you can and build a safety cushion just in case one of your assumptions proves to be too optimistic.

The problem with retirement planning is the necessity of making a bet on an unknowable future.

You must make assumptions about the future to build your plan, but the assumptions could be wrong. Inflation might be higher than expected, [you might live longer than expected](#), or your assets might grow slower than expected.

Worst of all, you could experience catastrophic and expensive health problems. Each of these risk factors is potentially large enough to undermine the best planned retirements.

This may not be a pleasant or comforting way to approach retirement planning, but reality is reality whether we like it or not.

Checklist For 1 To 3 Years Before Retirement

Up to this point, you've been progressively adding more and more detail to your retirement plan.

You began in early career with [simple asset accumulation strategies](#), then added growing your financial intelligence to the picture during mid-career.

In recent years, you formalized the process with more concrete retirement plans. At this stage, your retirement plan should be fairly complete.

If it's not, then please review the previous sections of this article for any missing pieces.

Using a home building analogy, [you've laid the foundation](#), raised the walls, and capped it off with a roof.

The structure should be more or less complete, so the only tasks remaining at this stage are to paint and decorate as a final preparation for moving in.

In other words, with just a couple of years to go, it's time to put the finishing touches on your retirement plan.

- **Color in The Dream:** By now the “when”, “where”, “what” and “how much” of your retirement plan should be very detailed. Your budget should be based on real numbers rather than generalized assumptions. Your future lifestyle should be estimated, and your expected income from investments and retirement plan benefits should be known. If you

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don't have these in place, then there's no time like the present. Retirement is right around the corner.

- **Test Drive the Dream:** If you're thinking of spending your retirement in Panama, then schedule your next few vacations for different times of year in different locations throughout the country. Also, brush up on your Spanish lessons and begin building your network so that you're ready to go. Similarly, if you plan on retiring at home with only 50% of your current income, try living on that budget now while you still have earned income to bail you out if it proves unworkable. Or [if you plan on building a second career](#), then begin laying the groundwork. In short, start test driving your dream today so that you can correct and adjust any incomplete plans and move toward your new future with confidence. Getting started now will smooth the transition.
- **Review Social Security and Pension Benefits:** Rules can change and data can be entered incorrectly. Go through your benefits statements with a fine tooth comb to check for errors and correct as necessary. Make sure the benefits you were expecting to receive match the current rules.
- **Long-term Care Insurance:** Examine the risks and benefits of long-term care insurance so that you can make an informed decision. Get cost estimates and learn the various alternatives when purchasing this insurance product.
- **Financial Planning:** Are you going to take a lump sum payout or monthly payments? Are you going to leave your 401(k)s where they are or roll them over into an individual retirement account? Are you going to take Social Security as early as possible or delay for a bigger monthly benefit? [What is your investment strategy](#)? What will be your asset allocation during retirement? Are you going to purchase fixed annuities, or [accept the risks of fluctuating investments](#) in hope of a higher return? You're entering the window where these decisions must

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be made. It's time to begin finalizing these plans. A fee-only financial planner and a [retirement planning coach](#) can help.

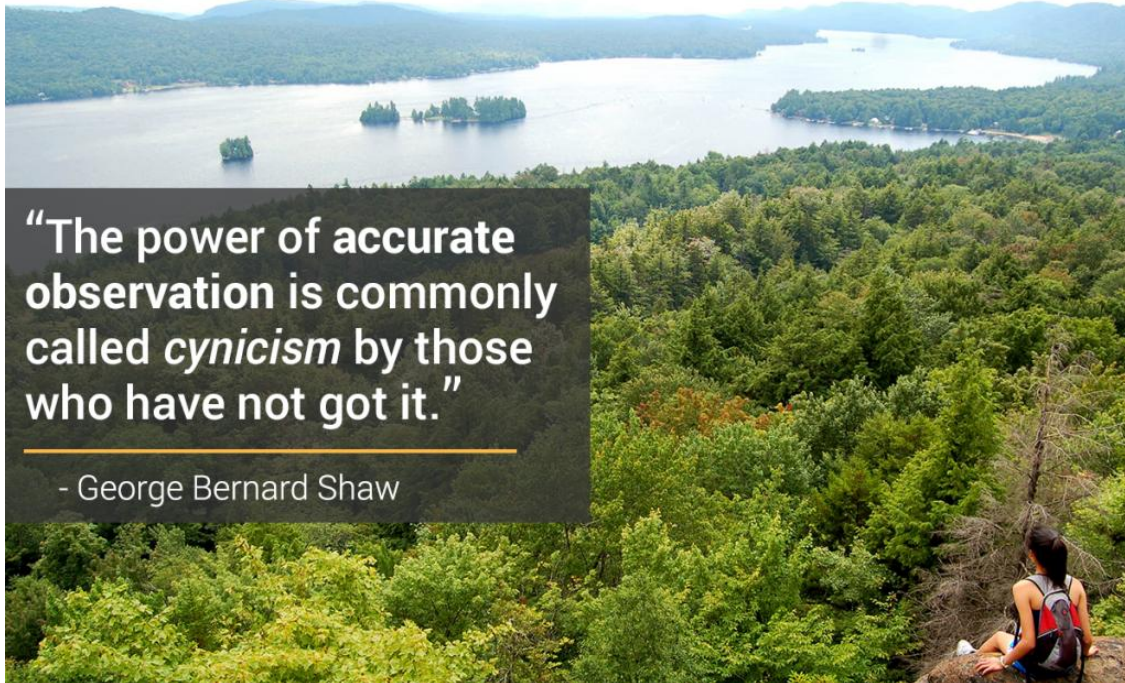
Checklist For Less Than 12 Months To Retirement

You're in the home stretch now. You should be complete on everything listed in this article up to this point.

The golf clubs are dusted off, and you can almost taste that fancy drink with the little pink umbrella in it.

But don't make the mistake of celebrating too early because you still have a few important details to tend to. Below are some final actions steps:

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- **Get Organized:** If you're like most people, you have retirement accounts and savings scattered in various places. Find a service where you can consolidate your accounts and view them as just one source. Automate as many of your financial transactions as possible, including routine bill paying and monthly deposits, so that you have the flexibility to run your financial affairs on the road or in a foreign country. You want to simplify so that you're free during retirement to do as you please without being bogged down by disorganized financial problems.
- **File for Defined Benefits:** If you'll be filing for pension and Social Security benefits, get the paperwork prepared and finalize any last minute questions. Plan on Social Security and Medicare requiring a three month lead time to process, so don't wait until the last minute or you could be throwing away some benefits. Consider requesting direct

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deposit to reduce your paperwork while also eliminating delays in processing checks while you're away from home traveling.

- **Finalize Your Withdrawal Strategy:** When the time comes to replace your paycheck by withdrawing assets, where will the money come from? How much income will you need each month? [What are your sources of income?](#) If you're liquidating savings to fund current living expenses what accounts will you liquidate first and why? You want to have the answers to these questions before your paycheck ends.
- **Finalize Health Insurance Coverage:** Get up to date quotes for any supplemental coverage to Medicare or transitional coverage until Medicare kicks in. Complete and file the applications once you've decided the plan that best fits your needs.
- **Finalize Your Long-Term Care Insurance Strategy:** Learn the facts about long-term care insurance, and decide if and when it's appropriate for your retirement plan.
- **Complete Any Rollovers:** Rolling over a workplace retirement plan to an individual retirement account can take anywhere from several weeks to a couple of months. If you're relying on that money, you'll have to begin the process well in advance of when you need to make your first withdrawal.
- **Give Notice to Your Employer:** Find out from your employer what's required to begin receiving the benefits you've earned and to end employment. Most employers appreciate receiving more than two weeks notice. Determine the timelines and complete the required paperwork.

A Checklist For After Retirement

Congratulations! You did it. You're now retired and [hopefully living the fulfilling life you always dreamed was possible](#).

But even though you're now retired, it doesn't mean retirement planning is finished.

There are still a few financial matters requiring your ongoing attention beyond just deposit and spend. Think of these actions as your long-term maintenance plan:

- **Annual Budget, Asset and Cash Flow Review:** Just because you put a retirement plan in motion doesn't mean it necessarily worked according to plan. Sometimes your finances do better than planned, and sometimes they do worse. For that reason, you must review your assets, budget, and cash flow each year so you can correct and adjust. This includes reallocating assets, reviewing investment performance, adjusting withdrawal rates, and anything else necessary to make sure your money lives as long as you do.
- **Healthy Habits:** Multiple studies show the human body has a remarkable ability to recover from a lifetime of abuse with just a few short years of healthy habits. Now is the time. You may have used the excuse of being too busy working and raising kids to rationalize not preparing healthy food and exercising regularly, but you don't have that excuse anymore. It's hard to imagine a more important and worthwhile way to spend your new-found extra time than taking care of your health. After all, what's the point in spending a lifetime building a secure retirement, [only to die early and never enjoy it all](#)?

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- **Don't Forget Required Minimum Distributions:** Traditional IRAs require minimum distributions beginning at age 70 ½. Check with your accountant or financial advisor as the rules may change, and exact details may vary depending on your situation.
- **Beware of Fraud:** Retirees are unfortunately a favorite target for con-artists because they usually have more assets to be conned out of than the average citizen. See our article on the [26 Warning Signs of Investment Fraud](#) to ensure you aren't next in line.
- **Update Your Estate Plan Periodically:** Check with your attorney to make sure your estate plan includes such items as powers of attorney, gifting, account titling, and that all beneficiary designations are accurate and current.

Finally, go out and enjoy yourself. You've earned it. Live all those forgotten dreams that got buried in the busy-ness of working life, and have a great time doing it.

It's time to live your dream retirement. You deserve it.