Pre Retirement Planning—At Various Stages

15 years before retiring:

Ensure that you are saving enough of your income. At the least, use a good retirement planning program such as one from www.analyzenow.com. (*Consumer Reports*, Feb, 2011, rated the Free Retirement Planner on that site as the best free program, better than Vanguard and Fidelity which were also in the top three.) See a competent Certified Financial Planner (CFP) as well.

If you are not already financially savvy, start reading some financial material, but keep in mind that much of it likely has a financial bias to sell financial products that benefit the source. If you've been dabbling in individual stock purchases, stop. Get into broad, low-cost index funds. I like the writing of Larry Swedrow and John Bogle. An excellent book for a beginner is *Getting Started in a Financially Secure Retirement*, Wiley, 2007.

10 years before retiring:

Same as above, but add the following:

Make definitive plans when you should downsize your home if your retirement plan requires that you get equity from your house. The earlier you downsize, the better off you are likely to be in retirement. If you are going to move to a new location in retirement, you need to make plans for lots of first-hand, up-close research.

Consider the alternatives to Long-Term-Care (LTC) insurance. Your premiums will be lots lower now than if you wait till retirement, but you may have other avenues such as support from your children or may decide to have only partial coverage or even be self-insured. Also, many insurers have dropped LTC insurance, and many with the insurance have stopped making payments because of increasing costs.

Consider developing an alternative skill that may provide some income during retirement. Perhaps there's a product you can make or a service you can provide. Many retirees barter their skill in exchange for something they need. This will increase in poor economic conditions.

5 years before retiring:

Same as 10 years before retiring, but add the following:

Refine your planning. Look carefully into both Social Security benefits and Medicare costs before trying to fix a retirement age. Even when you do, don't broadcast your retirement date to anyone, particularly your employer—who then may well give raises and promotions to others who will be employed longer.

By now you should have enough savings to make a decision whether to pay off your mortgage. Most often it's better to enter retirement without any debt. Also, your retirement will be much better if you have a reserve for large future purchases so that you don't have to borrow more money.

Start looking at Medigap health insurance provisions. Consider starting a health care savings account to cover uninsured medical costs.

Assess the financial conditions of your parents and adult children. Decide if you may need some funds for their continued support. This is a very common problem for older retirees. That’s why they call us the Sandwich Generation. You may have to support both parents and children.

Are your security allocations appropriate for retirement? Stock market crashes shortly after retirement can be devastating. And crashes just before retirement can also be life shattering.

Try living at least one year before retirement on your retirement budget!

Consider what will happen when you die. Will your surviving spouse have sufficient resources? Do you have an up-to-date will, living will, and durable power of attorney? Is your spouse supportive of your plan? If not, better reconcile positions.

Make sure that your retirement plans include plenty of exercise, mental stimulation and social contacts. Your well-being during retirement can have a tremendous effect on your health and the subsequent costs and lifestyle.