

23 YEARS AND 10 BIRTHDAYS IMPACTING YOUR RETIREMENT INCOME

Your age plays a significant role in how much money you'll have during your retirement years. And different types of retirement benefits have different eligibility ages. Over the course of 23 years, from age 49 to 72, you'll need a financial retirement plan that pays close attention to these age milestones, so you don't miss out on financial opportunities or be subject to penalties.

49: MAX OUT RETIREMENT ACCOUNTS

If you began saving for retirement early in your career, you're better poised to take advantage of compounding investment returns.



50: TAKE ADVANTAGE OF DISCOUNTS

Join and start saving when the offer hit your mailbox from organizations (like AARP) offering discounts on everything from travel to identity theft protection.

59½: IRA AND 401(K) PENALTIES END

The 10% early withdrawal penalty on IRA and 401(k) withdrawals ends at age 59½; however, you'll need to pay tax on the money put in and the associated growth earnings.

50: MAKE CATCH-UP CONTRIBUTIONS

Making catch-up contributions allows you to load your retirement accounts with additional money and qualify for a more significant tax deduction in the years leading up to retirement.¹



55: 401(K) WITHDRAWALS AND THE RULE OF 55

This IRS provision allows you to withdraw from your 401(k) before age 59½ and avoid the 10% early withdrawal penalty,² but it's still considered income and is subject to federal taxes.



Some people who retire in their 60s live well into their 90s. With that 30-year gap, it's important to plan your finances appropriately so you don't run short.



65: TIME TO CONSIDER MEDICARE COVERAGE

You have seven months to enroll in Medicare⁴, and that window opens three months prior to the month you turn 65. This birthday's important because your Medicare Part B premiums will increase by 10% for each 12-month period you were eligible for benefits but didn't enroll.

70: BOOST YOUR MONTHLY SOCIAL SECURITY PAYMENTS

Social Security payments increase by 8% for each year you wait to start your payments between your full retirement age and age 70. Plus, if you're still working, the additional income could push you into a higher tax bracket. After age 70, there's no additional benefit to waiting.

62: ELIGIBLE FOR SOCIAL SECURITY PAYMENTS

If it's part of your financial retirement plan, you can start collecting your Social Security payments at age 62. However, your monthly payments could be reduced by 30% if you begin payments before your full retirement age³. And that reduction is permanent!

66 - 67: SOCIAL SECURITY FULL RETIREMENT AGE

If you're born between 1943 and 1954, you qualify for retirement at age 66. If your birthday is after 1959, you'll have to wait one more year—until age 67. And no matter which age you are here, there's a built-in benefit if you wait on those payments: check out age 70!

72: 401(K) AND IRA REQUIRED MINIMUM DISTRIBUTIONS

If you have money in a retirement plan such as a 401(k) or traditional IRA, your first distribution must be taken by April 1 of the year after you turn 72 (70½ if you reached 70½ before January 1, 2020)⁵. The penalty for missing a required minimum distribution is a stiff 50% of the amount that should've been taken.



Whether you're heading into this 23-year span or are already in the thick of it, it's important to factor these milestone ages into your financial retirement plan.

Talk to your financial professional today to ensure you're prepared for each birthday!

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References:

¹ <https://money.usnews.com/money/retirement/401ks/articles/how-to-take-advantage-of-401-k-catch-up-contributions#>

² <https://smartasset.com/retirement/401k-55-rule>

³ <https://www.ssa.gov/pubs/EN-05-10069.pdf>

⁴ <https://www.medicare.gov/basics/get-started-with-medicare/sign-up/when-does-medicare-coverage-start>

⁵ <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions#>