Navigating Tough Decisions

Knowing what future decisions you'll be faced with as you prepare to retire, and how these choices may impact your lifestyle and goals, should start now.

Age 62 | **Age 65** | **Age 70** | **Life Expectancy**

Have you ever stopped to think about how many decisions you might be faced with when it comes time to retire? Some of these decisions are even permanent, meaning once you make them, there may be no going back.

Understanding what these future decisions might be today, and what impact they may have on your retirement tomorrow, is just as critical as the action of saving for retirement.

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Deciding When to Take Social Security

Should I take Social Security early, at the normal retirement age, or delay it until age 70?

- Taking Social Security early (age 62) imposes an earnings limitation on working income – and minimizes your payment.
- Taking it at normal retirement age (66, or 67 if you were born after 1960) doesn't impose an earnings limitation, but it also doesn't maximize the amount you'll get like delaying until age 70 does.
- Delaying Social Security until age 70 means you'll get the maximum amount. However, a larger payment could also mean larger taxes. Having a higher income in retirement could also affect your taxes by pushing your income over the Income Related Adjustment Amount (IRMAA). IRMAA is a measurement used in determining the taxation on parts of your Medicare health insurance.

The Takeaway: Delaying your Social Security from 62 to 70 maximizes your payout by roughly 30%. If delaying, be mindful of additional taxes and know the potential impact of IRMAA.

Understanding Your Pension Distribution Options

Guaranteed income pension plans are rare after the 1980's. If you're lucky enough to have one, it's important to understand how distributions work.

Your plan may include, among others, the following distribution options.

- **The Single-life Option** gives you the maximum income, but your payments stop at your death.
- **Joint and Survivor Option** provides your surviving spouse a benefit at your death but the payment will be less. Should your spouse predecease you, your payment will remain the same. At death of both spouses, the pension benefit ends.

The Takeaway: 100% of your pension income is taxable. Whether you are married or single may play a big role in deciding which payout option to elect.[1]

Balancing Income and Legacy

Many people would like to leave a legacy, but not at the expense of their retirement. The more assets you use to fund your retirement lifestyle, the less that will be available to heirs.

Demystifying the Sequence of Returns Risk

Sequence is all about order and timing. If the market drops in the early years of your retirement, your nest egg must work harder to catch up, if it even can.

All it takes is a few years of negative returns in the beginning years to deplete your income years ahead of schedule. Alternatively, a few years of positive returns in the beginning can be a gamechanger. The dilemma lies in our inability to predict the future.

Losses at the beginning can have a bigger impact than losses at the end, even though numerically the returns average out to be the same. This is referred to as the Sequence of Returns risk.

The Takeaway: Outliving your retirement savings can become a very real concern with a fluctuating market. Factor in timing and determine a safe withdrawal rate – and still there are no guarantees. Fixed and fixed indexed annuities are financial products that can provide a guaranteed stream of income.

Concerned About Outliving Your Money?

If you don't have a crystal ball, then you may benefit from guarantees when it comes to retirement.

Talk to a National Life Group Agent to learn how our fixed and fixed indexed annuities can help provide the protection, guarantees and peace of mind you're looking for with:

- Supplemental retirement income.
- May help ease the burden of social security taxes and even could bridge income giving you the option to take Social Security at age 70, maximizing the benefit.
- Remember that thing called Sequence of Returns? During a depressed market, you can let other retirement assets rest and potentially recover.

Annuities have surrender charges that are assessed during the early years of the contract if the contract owner surrenders the annuity. In addition, withdrawals prior to age 59 ½ may be subject to a 10% Federal Tax Penalty. Indexed annuities do not directly participate in any stock or equity investments.

1 Early or Late Retirement, ssa.gov