

59½

WHY IS THIS AGE SO IMPORTANT?

“That’s one small step for man, one giant leap for mankind.” On July 20, 1969, American astronauts Neil Armstrong (1930-2012) and Edwin “Buzz” Aldrin (1930-) became the first humans ever to land on the moon.¹

This and other events—scrawled across the pages of late 20th century history—mark your upbringing in ways few others alive today can comprehend.

But now you’re about 6 months shy of your 60th birthday. You are 59½ to be exact. Why is that age so significant?

It signifies a turning point of sorts in your life—on a number of fronts. In particular, the IRS allows you to make withdrawals from your retirement account without incurring a penalty. It is also nearly a decade after you were granted the right to contribute more to your IRA fund.

In 30 months, you’ll be eligible to claim Social Security benefits. You’re 66 months away from Medicare eligibility.

In this report, we explore your retirement options, your healthcare concerns, and how to obtain the best advice to move vibrantly into those golden years.



TURNING BACK THE CLOCK

So, who are you? You’re a late-stage baby boomer, born around 1960. You’re part of the largest generation in American history. About 76 million children were born during the boomer years, 1946-1964.²

You grew up during the Vietnam war. In fact, it raged for most of your childhood, ending with President Nixon’s troop withdrawal in 1973.³

BUILDING YOUR RETIREMENT SAVINGS

Financial professionals provide some depressing figures for many people approaching retirement. Many analysts say you should have at least \$1 - \$1.5 million in retirement savings to get you comfortably through a 30-year retirement.⁴

Those are some big numbers. If you’re moving toward retirement and you have little or no money in retirement savings, you’re not alone. In fact, approximately 29% of Americans have no retirement savings set aside.⁵

More than two-thirds of Americans also say they expect to run out of money at some point during their retirement. Even those closest to retirement, the baby boomers, are falling short of the target with 42% having less than \$100,000 in retirement savings.⁶⁷

If you’re 59½ and believe you’re ill equipped for retirement, there’s still hope. The IRS grants those at that age special allowances to help bolster their retirement savings. The agency also exempts taxpayers who have reached that age from paying the 10% early withdrawal penalty.⁸

THE CATCH-UP CLAUSE

If your retirement savings are not quite up to par, the IRS provides a catch-up clause, which applies to people over the age of 50.

Older employees may exceed the IRS's standard elective deferral to employees' workplace-based retirement savings plans.¹⁰ Elective deferrals are contributions to retirement plans by the employer at the employee's request. Deferrals apply to 401(k)s, 401(b)s, SARSEP, and SIMPLE IRA plans.

The catch-up amount for 2019 is \$6,000¹¹ and applies to these plans:

- 401(k) (other than a SIMPLE 401(k))
- 403(b)
- SARSEP
- Governmental 457(b)¹²

Deferrals to retirement plans must exceed the standard \$19,000 limit (2019) to be counted as catch-up contributions. (The individual limit rises to \$25,000 in 2019.)

You may make annual catch-up contributions if the amount is less than either of these:

- The catch-up contribution dollar limit, or
- The excess of the participant's compensation over the elective deferral contributions that are not catch-up contributions.

Catch-up for other plans:

Catch-up contributions are \$3,000 for SIMPLE IRA and SIMPLE 401(k) plans.¹³ These types of plans are usually offered to employees of small businesses.

You may make \$1,000 catch-up contributions to your traditional or Roth IRA in 2019.¹⁴

Retirement planners have found that those who use the catch-up provisions typically have \$417,000 in their 401(k)s at retirement compared to \$157,000 for those who do not.¹⁵

While you won't have to pay a penalty, the IRS still requires you to file the money as income on your tax return if you do make a withdrawal from your retirement account. The money will be taxed as income. Certain Roth IRA withdrawals are not taxable.⁹



What else can you do to boost your retirement savings?

Financial professionals urge older workers to focus on saving rather than spending. A more common and typically unproductive approach to retirement saving is setting the wrong priorities: Spend first, save second.

Many older workers tend to tuck away money at the end of the month rather than implementing a consistent, disciplined savings plan. A better approach is to shift your money to savings or investment accounts at the beginning of the pay cycle, as opposed to the end, when little extra money remains to set aside for future needs.

If your employer doesn't offer 401(k) plans, consider establishing a traditional or Roth IRA and have a designated portion of paycheck money go into one of those types of accounts at the start of the pay period.

A smart way to find the right plan is to seek advice from a financial professional.

MAKING YOUR WAY TOWARD SOCIAL SECURITY

Hitting the ripe, young age of 59½ puts you within shouting distance of Social Security eligibility. In fact, to break it down, you're within 130 weeks, at the earliest. American workers are eligible for Social Security benefits at 62, but at reduced benefits.

Although you're still a ways away, here are some changes to Social Security for 2019:¹⁶

- Social Security recipients will receive a 2.8% increase in benefits. The Social Security Administration (SSA) attempts to match annual increases to inflation based on Bureau of Labor Statistics calculations. The 2.8% increase is the largest since 2012's increase of 3.6%.
- The maximum earnings limit is \$132,900. Earnings above this amount are not taxed.
- The full retirement age (FRA) continues to rise by 2 months a year. The FRA of those who turned 62 in 2019 is 66 and 6 months. The FRA annual increases will stop in 2022 at 67.

The SSA uses a formula to calculate your basic benefit, or "primary insurance amount." The formula indexes your highest average monthly earnings over 35 years of work.

The average monthly benefit is \$2,861 for 2019.¹⁷

You may go to www.socialsecurity.gov/estimator to help you determine your projected benefits. You may establish an account at www.socialsecurity.gov/myaccount.

What are the advantages of receiving benefits at 62 or waiting until 70?

GETTING BENEFITS AT 62:

- You don't think you'll earn more than the retirement earning exempt amount, which in 2019 is \$17,640. (It traditionally rises every year.)¹⁸
- You're in ill health with below average life expectancy.
- You expect your spouse's benefits to be larger than yours.
- You won't have other income sources or opportunities to earn more.
- Your Social Security checks will be smaller, but you'll collect 8 additional years of checks.
- The early age is the most popular choice of retirees.

GETTING BENEFITS AT 70:

- You plan on continuing to work and earn more than the SSA income limit (\$17,640 in 2019).
- You don't have any retirement savings, you're single, and you're healthy.
- Your spouse plans to continue working. A larger portion of your benefits is taxed because of the higher combined income. You'll keep more of your income by waiting.
- You're in good health and expect to have a long life. The average life expectancy of Americans age 65 today is about 85.34.¹⁹
- Your spouse is younger or your spouse's benefit is smaller. When you die, your spouse will get the larger Social Security amount.



STAYING HEALTHY AND STRONG IN THE GOLDEN YEARS

In 6 months you'll hit the big one: 60. That's 6 decades, most of it through the latter half of one of human history's most turbulent, tumultuous, and exciting centuries. While life expectancies vary, you can reasonably expect to live another quarter century.

And with your temperament, you expect to take life by the horns and ride it full throttle. But, naturally, before you proceed, you ought to take stock of the most important part of your life - your health.

Unfortunately, your health changes over the years. After all, you're not 20 years old anymore. You're going to be 60. On the other hand, 60 just isn't 60 anymore. In order to live life to the fullest, you have to keep a closer watch on your health.

GETTING OLDER HAS ITS ADVANTAGES

Here's some of the best news about turning 60. You're going to be happier. "As you get older, you know that bad times are going to pass," says Laura Carstensen, PhD, director of the Stanford Center on Longevity, Stanford, California.

"You also know that good times will pass, which makes those good times even more precious."²⁰

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years more fulfilling and comfortable. Proper financial planning sets the stage for a smooth transition to those autumn years.

GETTING FINANCIAL ADVICE

You're approaching a major turning point in your life. A financial advisor can help you discover wise solutions and develop smart retirement strategies for a rich and exciting future.

We can help you analyze your financial situation to shape the life you envision.

If you or anyone close to you would like to discuss how to maximize your retirement benefits with a professional, please give our office a call at 312.337.1040 or email us at info@ctsfinancialgroup.com.

1 <https://www.youtube.com/watch?v=Z9WDsgC1roE>

2 <http://www.u-s-history.com/pages/h2061.html>

3 <https://www.history.com/this-day-in-history/u-s-withdraws-from-vietnam>

4 <https://www.aarp.org/work/retirement-planning/info-2015/nest-egg-retirement-amount.html>

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8 <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions>

9 <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras-distributions-withdrawals>

10 <https://www.thebalance.com/401k-contribution-limits-rules-2388221>

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16 <https://www.investopedia.com/retirement/social-security-changes/>

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18 <https://www.ssa.gov/oact/cola/rtea.html>

19 <https://www.ssa.gov/planners/lifeexpectancy.html>

20 <https://www.npr.org/2015/06/19/41499589/why-should-we-look-forward-to-getting-older>

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