OPTIONAL RETIREMENT PLAN (ORP) RETIREMENT CHECKLIST

36-24 Months to Retirement

- ☐ Assess your situation. In general, financial experts state that people need between 80-90% of their current income to maintain their standard of living in retirement. This includes your Social Security benefits, personal savings, investment income, and any income you may earn from working in retirement.
- ☐ Review your current living expenses and project what these will be in retirement. Will your income from all sources cover your projected essential and non-essential expenses?
    - This is the time to begin preparing a retirement budget and determine how to obtain the optimum income from your assets in retirement.
    - Anticipate new or recurring expenses (i.e. car, health, home repairs, mortgage), consider paying off some of these debts before you retire, and plan to cover essential expenses with an income stream you cannot outlive.
- ☐ Prepare for the five retirement risks: Inflation, Rising Health Care Costs, Investment Risk, Withdrawal Risk, and Longevity Risk (refer to the last page for a detailed description on how to prepare for these risks).
- ☐ Request an estimate of your benefits from the Social Security Administration: www.ssa.gov
- ☐ Schedule a one-on-one consultation with your local ORP and/or 403(b)/457(b) vendor(s) for individual advice to meet your retirement goals: TIAA-CREF, Fidelity Investments, and VALIC

18-12 Months to Retirement

- ☐ Research health insurance for you and your family and verify your post retirement eligibility.

- ☐ Go to www.medicare.gov for information on Medicare. Medicare typically starts at age 65 for most individuals. However, depending on your situation, you might not actually enroll in traditional Medicare coverage.
- ☐ Consider purchasing long-term care insurance coverage to help cover the high costs associated with nursing home care.
- ☐ Evaluate your life insurance needs in comparison to your existing coverage and consider any portability or conversion rights, which may allow you to carry that coverage into retirement.
- ☐ Review your estate plan and make sure your will, trust, beneficiary information, and/or power of attorney are up-to-date. Understand how your assets pass to others under state law.
- ☐ Attend a Social Security workshop sponsored by GSU and/or schedule an appointment at your local Social Security office. Request another estimate from the Social Security Administration.
- ☐ Schedule a one-on-one consultation with your ORP and 403(b)/457(b) vendor(s) to determine if you are on target to meet your retirement goals. Discuss steps on how to manage your ORP or Voluntary Retirement Plan assets at the time of retirement: TIAA-CREF, Fidelity Investments, and VALIC

At Retirement

Contact your ORP and/or 403(b)/457(b) vendor(s) to review your options for the distribution of your retirement funds: TIAA-CREF, Fidelity Investments, and VALIC

You have several choices regarding how to manage and distribute your assets. Below are some examples (this list is not all-inclusive):

1. Lump-Sum Distribution (take all of your money at one time)
2. Rollover IRA (move your funds into your personal retirement account)
3. Leave funds in your current plan (if you select this option, you may be required to take a minimum distribution, depending on your age)
4. Annuitization (turn your assets into guaranteed income for a specific period of time, or for life)

Please note: The information outlined in this document is meant to be a guideline only. Each individual has a variety of items to consider. Depending on your situation, you may want to start the retirement planning process as early as five years prior to your retirement date.

HOW TO PREPARE FOR FIVE RISKS IN RETIREMENT

Risk involves planning for things you cannot personally control. There are two ways to deal with risk:

1. Assume the risk yourself by estimating its potential effect and accumulating and setting aside the resources needed to cover it, or

2. Assigning away all or part of the risk through insurance or other financial structures. When developing an investment strategy for your retirement years, it is important to consider the following five risks and determine how much risk you may want to assume yourself.

> **Inflation risk:** Over the last century annual inflation has averaged about 3% *(U.S. Dept. of Labor)*. At this rate, the cost of goods and services doubles every 24 years – the length of a typical retirement. Because most pensions are fixed and other income sources, such as Social Security, lag behind inflation, you need to factor inflation risk into your planning. If you want to assume this risk yourself, your investment allocation needs to reflect whether or not your income sources will outpace inflation. Alternatively, you can assign some of this risk away through various annuity designs.

> **Longevity risk:** Most retirement planning is based on actuarial tables that reflect average life expectancy. You could live longer or shorter than the average. To be sure you do not outlive your income in retirement, you have a few options: consider reducing your annual spending, adjust your investment allocation to produce income for a longer period of time, retire later in life, and/or evaluate different kinds of investments that guarantee income for life. Guarantees are subject to the claims-paying ability of the issuing insurance company.

> **Investment risk:** This is the risk takes two forms: 1) your portfolio suffers a significant loss early in retirement from which you cannot recover, and
2) Over the long-term, your investments do not grow at the rate you originally anticipated. The remedy to investment risk may be to develop a strategic investment allocation and review it at least annually, and to rebalance your account to its intended allocation regularly. Guaranteeing part of your income, particularly in the early years of retirement, is another alternative to consider, as is selecting investments that reduce the risk of portfolio losses.

> **Health care risk:** As we age, the need for health care services generally increases. In recent years, health care costs have been growing annually at rates nearly twice that of average inflation. Severe medical conditions may also necessitate the need for nursing home or home health care, which can cost tens of thousands of dollars a year. Insurance is the method generally taken to offset health care risks, but your investment policy needs to anticipate increases in insurance premiums and services not fully covered by insurance. Investigate various types of insurance such as Medicare supplements and long-term care policies.

> **Withdrawal risk:** Every retirement investment strategy should combine with a withdrawal strategy. The withdrawal rate you choose can shorten or lengthen the effective life of your retirement assets. Withdrawing too much money during early years can diminish assets that would otherwise compound to produce investment growth throughout your retirement. This can increase the possibility of running out of money in later years. Withdrawal risk is a variable that you can minimize through investments that guarantee income or withdrawal levels throughout retirement.