

CLEARED FOR TAKEOFF

Planning To Retire Within Five Years or so? Include These Three Exercises in Your Flight Plan

Your first step is to get the most comprehensive, clear and accurate picture of your annual expenses that you can. For reference, collect your credit card statements and checking/savings account statements from the past 12 months (most banks and credit card companies let you download a yearly review of all your transactions organized into charts and graphs so you can get a clear look at your total annual spending). You may already have a good handle on your biggest expenses each month, like housing, transportation, food, cable and cell phone. You'll want to make sure to include other fixed costs, such as insurance (all coverages), haircuts or salon visits, gym memberships, streaming services, wellness exams and dental cleanings.

Perhaps the most important part of this step is to review all of your one-off and variable purchases to better understand how they can impact your overall yearly spend. Reviewing these transactions can show you how much you really spent on coffee, home improvement projects, online purchases, manicures and pedicures, dining out, spur-of-the-moment weekend getaways and other items. Really digging into your entire year-in-review can also help you notice patterns in your spending, like when there are increases around vacations, holidays, birthdays and other annual events.

Inspect Your Retirement Income Sources

Now that you know what you'll need, it's time to inspect any sources of income you can count on each month in retirement. Some examples include:

- Social Security. This [Social Security Quick Calculator](https://www.ssa.gov/OACT/quickcalc/) (https://www.ssa.gov/OACT/quickcalc/) lets you estimate your monthly benefit checks. Try entering various retirement dates to see how waiting or claiming earlier will affect your checks.
- Income from rental properties
- An annuity
- A work pension
- Withdrawals from retirement savings (a very general rule of thumb is to budget a 4% annual withdrawal rate from retirement accounts)

Avoid Turbulence With Healthcare Costs

While Medicare is a valuable benefit for those age 65 and older, it isn't free and it doesn't cover everything.



Health-care costs include deductibles, premiums and things Medicare doesn't cover, such as prescription drugs, vision and dental care, hearing aids, home care and nursing homes. Therefore, before you retire:

- Start saving money toward covering these potential costs
- Enroll in a health savings account to help reduce taxes (if available)
- Look into long-term-care insurance; it may be worthwhile if you are eligible and young enough to qualify for a reasonable rate
- Do your research before signing up for Medicare. Will you choose Original Medicare and supplemental ("Medigap") insurance? Or will you choose Medicare Advantage, a popular type of private insurance coverage? Sign up now for [Medicare's newsletter](#) to get updates and stay informed regarding all your options (<https://tinyurl.com/3h3mdby4>).

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