

Two to Three Years Before Retirement

- ❑ Update your net worth statement annually. Early January is a good time to do it because you will be receiving your fourth quarter investment statements and you can set some goals for the new year.
- ❑ Review your investment allocations. Is the allocation appropriate for your retirement timeframe? While it may be wise to move to a more conservative allocation, remember that these funds have to keep working for you for another 20 or 30 years after you retire.
- ❑ Analyze your expenditures on a monthly and annual basis, so you know where your money is going. Some banks and credit card companies categorize your expenditures to make this easy. Compare your spending to the average retired couple (source: Bureau of Labor Statistics):
 - Housing 32%
 - Food 14%
 - Transportation 16%
 - Medical Care 13%
 - Clothing 3%
 - Personal Care 1%
 - Entertainment and education 4%
 - Charitable contributions 7%
 - Insurance 5%
 - Other 5%
- ❑ Estimate the type and amount of your annual living expenses during retirement. How will they change from your current expenditures? For example, clothing and transportation expenses may decrease, but travel, leisure, and health care expenses may increase.
- ❑ Estimate your Social Security, State Retirement, and other sources of retirement income on a pre-tax and after-tax basis. Be sure to consider the effects of inflation, taxes, and conservative rates of return on your investments. Will your retirement savings be sufficient to meet your needs? If not, consider: contributing more to retirement savings, working part-time, cutting expenses, setting more modest retirement goals, or delaying retirement.
- ❑ Maximize the use of the three-year catch-up provision in the years leading up to your last year of employment with the State, as you may not use this provision in the last year of employment.
- ❑ Inspect your home for any major maintenance needs, whether you plan to remain living there or sell it.
- ❑ Plan where you will live in retirement.
- ❑ Begin planning for what you will do with your time once you retire. Start dabbling in those interests, if you haven't already. Take a class, travel, volunteer, or begin a new hobby or renew a former interest.
- ❑ Discuss your retirement plans (e.g., where to live, what to do) with your spouse or family.
- ❑ Evaluate your insurance needs.
- ❑ Decide whether you will retain your savings in the State retirement accounts versus a rollover to an IRA. While you may have many more investment options outside of the State plan, be sure to consider the commissions and fees.
- ❑ If you plan to roll over State retirement assets into an IRA, make plans for where you want to move your money and who you will trust to manage it. Do you plan

to actively monitor and manage your money, or do you want to have someone else do it for you? Be sure to check the credentials of the person you hire. Understand the services that will be provided and the fees that will be charged.