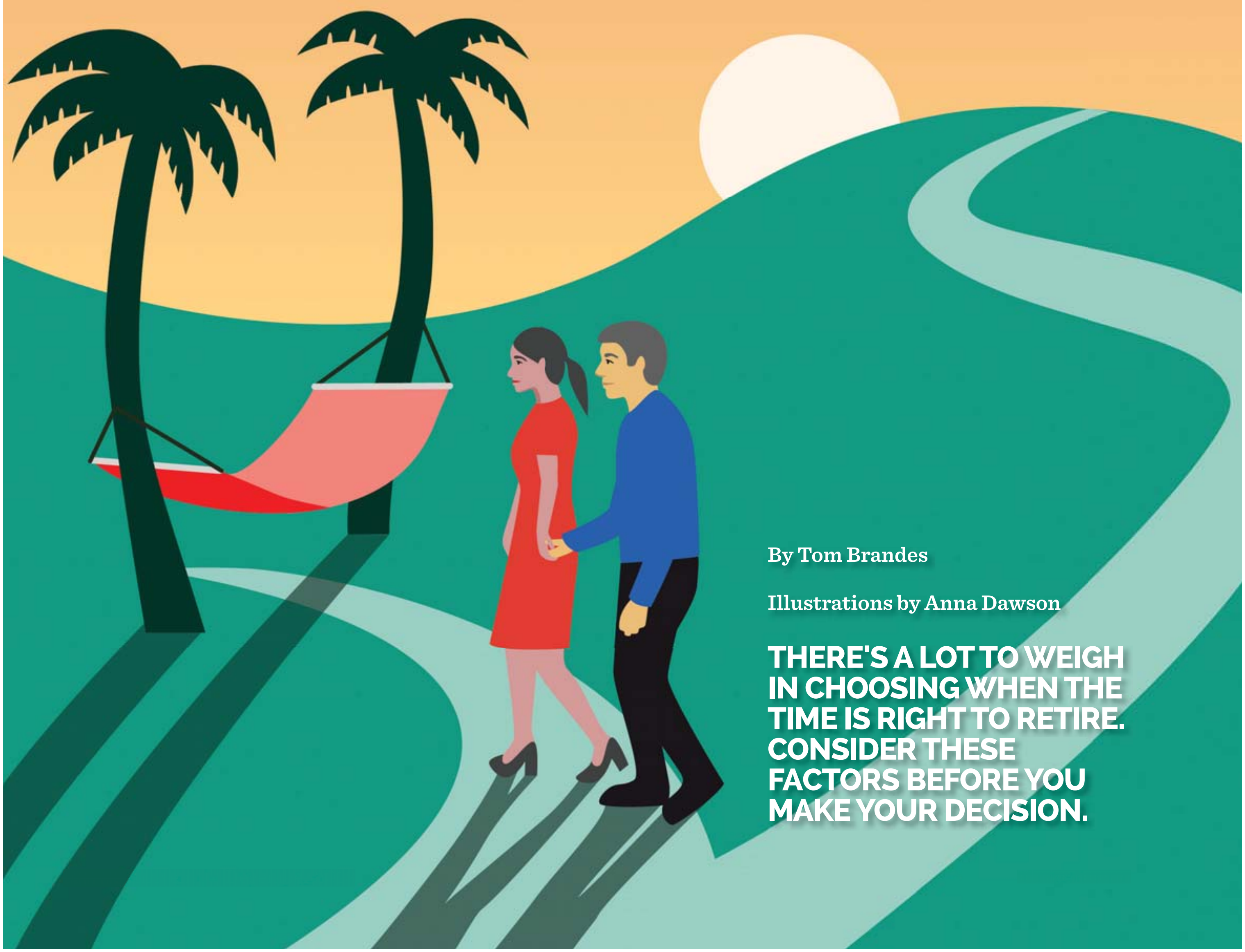
dreaming of RETIRING EARLY?



By Tom Brandes

Illustrations by Anna Dawson

THERE'S A LOT TO WEIGH IN CHOOSING WHEN THE TIME IS RIGHT TO RETIRE. CONSIDER THESE FACTORS BEFORE YOU MAKE YOUR DECISION.

How do you envision your retirement years? Like many people, you may be looking forward to traveling, spending more time with family, becoming more involved with your church, volunteering and pursuing hobbies that have been put on hold.

It's no wonder that you might want to start those retirement years as early as possible.

"Among the advantages of retiring earlier rather than later is stepping away from the stresses and demands of work and having the time to relax and do enjoyable things such as volunteer, travel and other activities while you're younger and presumably in better health," says Thrivent Financial professional Isaac Taylor of Arcadia, California.

But can you afford to retire early?

That depends on how you define "early" and your finances. "There are many considerations that may impact the decision," says Taylor, "including the danger of outliving assets."

When do you want to retire?

Often, the year someone plans to retire is tied to when they would be eligible for Social Security benefits. "Most of my clients consider their Social Security full retirement age as their target retirement age," says David Calloway, a Thrivent Financial professional in Raleigh, North Carolina.

Social Security defines full retirement age as the age at which you are eligible for full Social Security benefits. That age is determined by the year you were born: It's age 66 for people born from 1943 through 1954. From 1955 through 1957, it's age 66 plus 2 months for each additional year, up until 1960. From 1960 on, full retirement age is 67.[1]

How much retirement income do you anticipate?

Thrivent members Peter and Helen Hauser in Raleigh, North Carolina, decided on partial early retirement. Helen, a former teacher and counselor, decided to retire in 2009 at age 63 so she could care for her grandson 40 hours per week. That's also when she began taking Social Security benefits. Her husband, Peter, began a phased retirement in 2017. He's teaching just one semester per year at North Carolina State until 2020. The couple felt financially confident that Helen could retire early while Peter opted to delay taking Social Security until age 68½, to have a larger monthly benefit.

Retirement income can come from a number of sources. Make sure you're aware of any penalties or restrictions to accessing them at the age you want to retire. And project your income needs so you know how long your resources will last.

- >> **INVESTMENTS:** Consider how early retirement might affect your need for income from investments as well as how much income they'll produce and how much you'll be able to continue to invest.
- >> **SOCIAL SECURITY BENEFITS:** You can begin receiving Social Security benefits at age 62. However, doing so reduces the amount of your payments. Depending on the year you were born, you may receive only 70 to 75 percent of what you would be paid if you waited until full retirement age.[1] In addition, for each year beyond full retirement age that you delay receiving Social Security payments, the benefit increases by 8 percent, up to age 70.
- >> **RETIREMENT SAVINGS ACCOUNTS AND PENSIONS:** If you're counting on income from a 401(k), a pension and/or IRA accounts, find out if there are penalties to be paid when you start drawing income from them. With few exceptions, there's a 10 percent premature distribution penalty on 401(k) and IRA distributions taken before age 59½. Look at your specific retirement plan to determine any penalties for early payments.

THRIVENT'S RETIREMENT CALCULATOR

Thrivent's online retirement planning calculator offers an easy way to estimate your future retirement success, based on 13 inputs including current age, household income, total retirement savings, annual retirement savings, planned retirement age and rate of return on investments.
Thrivent.com/retirementcalculator

This tool is not intended to provide or replace specific professional financial advice. We cannot and do not guarantee its applicability or accuracy in regard to your individual circumstances. All examples are hypothetical.

What will you do for health insurance?

Calloway says affordable medical insurance is one of the biggest challenges for people retiring early. You can purchase health insurance on the open market, but that's often an expensive option.

If you had health insurance through an employer, you may be able to continue that plan when you quit your job. The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) is a federal law that gives employees the right to continue participating in their employer group health insurance plan for a certain amount of time after leaving a job.[2] This might be a good option if you're considering retirement before age 65, when you can apply for Medicare coverage.

Medicare Part A (hospital coverage) begins at age 65, and there's usually no premium cost. Part B, which covers medically necessary services needed to diagnose or treat medical conditions and preventative services, typically must begin at age 65 or when you leave employment after age 65, unless you're covered by your spouse's insurance.[3] Prescription drug coverage will be an additional cost.

Do you want to continue making charitable contributions?

For Oliver and Susan Stark, the path to retirement has involved twists and turns. But throughout their journey, they've remained committed to giving back.

"In 2002 we were working with another advisor, and I 'retired' early (at age 48) to work as a consultant twice a week," Susan says. "When the Great Recession hit, Oliver was laid off and went one and a half years without income. I went back to work, and it was a very challenging time, but God provides and things worked out. We were even able to continue tithing during that time."

The Hausers, who have worked with Calloway since 2004, continue to make tithing a priority in retirement.

"Each month the first thing we pay is our tithe," Helen says. "God expects us to be good stewards, and He has proven over and over He's going to help us with whatever comes up. We rely on Him and don't need to be afraid."

Calloway says the Hausers' retirement plan provides for their financial security as well as their ability to give back. For example, he worked with Peter to set up a foundation at North Carolina State.

"They're big givers, they live within their means, and they're well-prepared for retirement," Calloway says.

The Hausers are grateful for the many retirement decisions Calloway has helped guide them through. Talk to your financial professional and tax advisor to see if early retirement might be in your future. ■

Tom Brandes is a freelance journalist in Minneapolis.

[1] "Benefits Planner: Retirement," Social Security Administration, 2018
[2] "COBRA Coverage and the Marketplace," U.S. Centers for Medicare & Medicaid Services, 2018
[3] "What Part B Covers," U.S. Centers for Medicare & Medicaid Services, 2018