



MAKING CENTS

RETIRING EARLY? BE PREPARED

-John P. Napolitano, CFP®, CPA, PFS, MST, RLP®



It seems it was just a few short months ago that you noticed the head honchos at your company were looking for ways to bolster the bottom line. You survived the most recent layoffs and chalked up that barely cost-of-living pay raise to the “times are tough” message.

And then a few days ago, the boss gives you the “let’s have a talk in my office” gesture. Before you have a chance to park your age 50-plus body into a chair, an early retirement offer is on the table.

While you may have no choice but to accept this offer, it is imperative that you have a clear understanding of what it includes.

Initially, an early retirement package may appear attractive, but several components differentiate a good offer from one that may leave you in the financial lurch while you’re hunting for a new job or gathering retirement benefits.

An early retirement package is essentially an offer of money and benefits in return for your earlier-than-planned retirement. The severance cash payout is typically based on your annual salary combined with the number of years you worked at the company.

Some companies include health insurance in their packages; others don’t. If your employer

doesn’t, you’ll have to scramble because you will still need medical coverage. One option is COBRA, which is available for 18 months after you leave the job.

Chances are you’ll seek a new job if you’re still in your 50s and had planned to work for another dozen years or so, but it may take some time before you settle into another cubicle.

COBRA (and its high premiums) can get you through this time period - or you can research private policies or maybe get coverage through your spouse’s employer.

Also, if you had a pension plan through your employer, you probably won’t be able to begin drawing

on it until you reach a specified age. Distributions on 401(k) plans can be taken as early as age 55 without penalty for those who take early retirement. Hopefully, you already had some retirement savings and plans in place.

And if that talk has not yet occurred, but you have a feeling it might, now is the time to get your financial house in order. Pay off credit cards, establish an emergency fund, and spend within your means - all common-sense measures that could pay off if retirement comes sooner than you expected.

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