5 Things to do before you Retire

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1. Know WHY you are Retiring

Retirement is not just an exit from work; it's an entrance into a new phase of life. If you don't define what that new phase looks like, you're building a financial plan without a blueprint. It's like saving for a trip without knowing if you're going to the Bahamas or the Himalayas. The financial requirements for those two destinations are vastly different!

What does true freedom mean to you? Is it volunteering every day? Traveling the world? Spending endless hours with grandkids? Picking up that hobby you abandoned decades ago, or maybe starting a small business just for the joy of it? This isn't just about leisure; it's about purpose, fulfillment, and meaning.

Oftentimes we see people who had all the money but no "why" who often struggled in retirement. They had the means, but lacked the motivation or direction. It can lead to boredom, even depression. The "why" gives purpose to the numbers. It allows financial planners, to truly build a plan that supports the life you envision, not just an arbitrary financial goal.

So how do people even begin to figure this out?

- **Deep Reflection:** Journal. Write down what you love and miss, and what you envision for your non-working days. What activities brings you energy.
- **Spousal Conversations:** If you have a partner, this is absolutely crucial. Their "why" might be different from yours, and you need to find common ground. Communication is key for everything, especially big life transitions like this.

- **Test Drives:** Can you try out a hobby? Volunteer for a few weeks? Rent a place in a potential retirement destination? It helps solidify if that "why" is truly what you want.
- **Talk to Retirees:** Ask people already retired: "What surprised you? What do you wish you'd known?" Their real-world experiences are invaluable.

The aim isn't to create a rigid schedule for every day, but a guiding principle. A compass, if you will, for this next significant chapter. And that compass then points us to our next critical step: understanding the financial reality of that vision.

2. Know your Monthly Expenses

This is where we shift from the philosophical to the granular, but it's just as vital. Many people make a dangerous assumption that their expenses will magically plummet in retirement. Sometimes they do, but often, they simply *shift*. And sometimes, they even *increase*, especially if your "why" involves a lot of travel or new, expensive hobbies.

The first step is ruthless honesty about your *current* spending. Track every single dollar for at least three to six months. Use an app, a spreadsheet, or even an old-fashioned notebook. Categorize everything: housing, utilities, groceries, transportation, insurance premiums, entertainment, dining out, subscriptions, charitable giving, and yes, even those little impulse buys.

Once you have that baseline, you project forward.

- **What will decrease?** Likely your commuting costs, work-related clothing, perhaps dining out for quick lunches. And, of course, you'll stop contributing to your retirement accounts!
- **What will increase?** Travel, new hobbies, more leisure activities, and significantly, healthcare costs. If you plan to downsize, your housing costs might decrease, but what about moving expenses, or updates to a new, smaller home?

We often differentiate between "needs", which are non-discretionary items like housing, basic food, utilities, and essential healthcare, and "wants", which are discretionary spending like dining out, entertainment, travel. Understanding this distinction gives you flexibility if unforeseen circumstances arise. This step might seem tedious, but it's foundational. You can't build a sound financial plan if you don't know what you're trying to fund.

These are some of the sneaky expenses people often overlook or underestimate in retirement.

- **Inflation:** That dollar today won't buy the same amount of groceries 10 or 20 years from now. You need to build in an inflation factor, which is something we do as part of our ProVest Wealth Toolkit.
- **Taxes in Retirement:** Many assume taxes disappear. They don't. How you draw down from different types of accounts (pre-tax, after-tax, Roth) can significantly impact your tax bill.
- **Home Maintenance & Repair:** Your house doesn't stop needing a new roof or a new HVAC system just because you retire. These big-ticket items need to be accounted for.

- **Gifts to Family:** Grandkids, holidays, helping out adult children – these are wonderful things, but they can add up if not budgeted.

This exercise is about being realistic. It’s about building a budget that reflects the life you actually want to live, not just a theoretical one. It's about knowing your truth, so you can plan for it

3. Research Healthcare Options

If there's one area that can truly derail a well-laid retirement plan, it's unexpected healthcare costs. Medicare, for most, kicks in at age 65. But it's a common misconception that Medicare covers everything, or that it's free. It’s neither. Understanding your options five years out gives you ample time to plan for premiums, deductibles, co-pays, and services Medicare *doesn't* cover.

Here’s what folks need to investigate:

- **Original Medicare (Parts A & B):**
  - **Part A (Hospital Insurance):** Generally no premium if you or your spouse paid Medicare taxes for enough years. Covers inpatient hospital care, skilled nursing, hospice.
  - **Part B (Medical Insurance):** Covers doctor visits, outpatient care, preventive services. This *does* have a monthly premium, which can be income-adjusted, meaning higher earners pay more.
  - **The Gaps:** Original Medicare has deductibles and coinsurance, and no out-of-pocket maximum. This is where the additional plans come in.

- **Medicare Supplement Plans (Medigap):** These are private plans that work *with* Original Medicare to cover some of those gaps – your deductibles, co-pays, and co-insurance. You buy them from private insurers. They generally *don't* cover prescription drugs.
- **Medicare Advantage Plans (Part C):** These are private plans that effectively *replace* Original Medicare. They cover everything Parts A and B do, often include prescription drug coverage (Part D), and sometimes offer extra benefits like vision, dental, or hearing. They usually operate within a network of providers, which can be a pro or a con depending on your preferences.
- **Medicare Part D (Prescription Drug Coverage):** This is separate drug coverage, also from private companies. If you choose Original Medicare, you'll likely want a Part D plan. If you go with a Medicare Advantage plan, it often includes Part D.
- **Long-Term Care (LTC) Insurance:** This is distinct and covers things like nursing home care, assisted living, or in-home care if you can no longer perform daily activities. Medicare does *not* cover most long-term care. This is a very significant potential expense, and frankly, a conversation that many people avoid. The truth is, it's a risk that needs to be addressed. While the cost of LTC insurance can be high, the cost of long-term care itself without it can be devastating.

The most important takeaway is to start learning now.

- **Utilize Resources:** Medicare.gov is your primary resource. Reputable financial advisors, like those here at ProVest Wealth Advisors, can also guide you.

- **Think About Your Health:** Be honest about your current health and family history. This will heavily influence which type of plan might be best for you.
- **Compare Apples to Apples:** It's complex, but comparing costs, coverages, and networks across different plans is essential.
- **Consider a Professional:** For something this critical, seeking advice from an independent insurance agent specializing in Medicare or a financial planner with expertise in this area can be incredibly valuable. They can help you sift through the options and find what truly fits *your* needs.

Being proactive about healthcare ensures you can factor these costs into your overall retirement budget and avoid unpleasant surprises down the road. It's about being prepared for life's realities, with no pressure, just clear information.

4. Get organized on future sources and assets.

This step is about taking a full inventory of everything you own and everything that will generate income for you in retirement. Think of it as assembling all the pieces of your retirement paycheck puzzle. At ProVest, we use our "Wealth Toolkit" to help clients visualize and organize all of these components.

First, your Income Sources:

- **Social Security:** This is often a significant piece. Go to SSA.gov and create an account to get your estimated benefit statements. Understand how claiming age affects your benefit – delaying can significantly increase your monthly payment up to age 70. This is a nuanced decision, influenced by your health, other income, and if you're married, spousal benefits.

- **Pensions:** If you're fortunate enough to have a defined benefit pension, understand your payout options. Lump sum vs. annuity, survivor benefits – these are big decisions.
- **Retirement Accounts:** This includes your 401(k)s, IRAs, Roth IRAs, 403(b)s, etc. Know the current balances, the tax implications of withdrawals (taxable for traditional, tax-free for Roth), and when Required Minimum Distributions (RMDs) typically kick in.
- **Taxable Brokerage Accounts:** These can offer flexibility, as they don't have RMDs in the same way traditional retirement accounts do.
- **Other Income:** Do you plan on part-time work, rental income from a property, or perhaps an annuity? Factor these into your overall income picture.

Next, your Assets:

- **Investment Accounts:** Consolidate your statements. Understand what you own, where it's held, and how it's diversified. Here at ProVest, we focus on active management, meaning we proactively adjust portfolios based on market conditions, rather than just passively letting them ride. Knowing where all your investments are is the first step.
- **Real Estate:** Is your home paid off? Do you plan to downsize or relocate? What's the equity?
- **Savings/Cash:** How much cash do you have for emergencies or short-term needs?

Finally, Beneficiaries: This might seem minor, but it's critically important and often overlooked. Review all your accounts – retirement accounts, life insurance policies, annuities, brokerage accounts – and ensure your beneficiary designations are current. These designations *override* your will. If your life circumstances have changed (marriage, divorce, birth of children or grandchildren), you need to update them.

The biggest mistake is often simply *not doing it* until the eleventh hour, or even beyond. Or having accounts scattered everywhere and not knowing where they all are.

- **Ignoring Tax Efficiency:** People often don't consider the tax implications of drawing from different accounts. A smart withdrawal strategy can literally save you thousands, even hundreds of thousands, over your retirement lifetime.
- **Not Having a Strategy:** It's not enough to just know what you have; you need a plan for how you're going to *use* it. Will you draw from taxable accounts first, then tax-deferred, then tax-free? The order matters.
- **Outdated Beneficiaries:** As I mentioned, this is huge. I’ve seen situations where ex-spouses or unintended heirs inherited significant assets because the beneficiary forms weren't updated. It can cause immense family strife and legal battles.

Getting organized gives you clarity, confidence, and control. It allows you to see the full picture of your resources and empowers you to make informed decisions about how to best utilize them. It’s about being truly honest with your situation to build trust in your future.

Step #5: Track your Net Worth

Tracking your net worth is simply calculating your assets minus your liabilities. It's your personal financial report card, a crucial metric for anyone, but especially for those nearing retirement.

- **Assets:** Everything you own that has value: cash, investments (stocks, bonds, mutual funds), real estate (your home, rental properties), retirement accounts, vehicles, and other significant valuables.
- **Liabilities:** Everything you owe: mortgages, car loans, credit card debt, student loans (Gabe, I hear you!).

Calculating your net worth periodically gives you a clear snapshot of your financial health. It shows you if you’re growing your wealth effectively and, more importantly, if you're on track to meet your retirement goals. It's about monitoring your progress towards that "why" in Step 1.

This is like a fit bit for your finances, and the benefit is profound.

- **Motivation:** Seeing that number grow can be incredibly motivating. It reinforces that your financial discipline is working.
- **Early Warning System:** If your net worth isn’t increasing as you expect, or if it's declining for non-market reasons, it's an early warning sign that you need to re-evaluate your spending, savings, or investment strategy. This five-year window gives you time to course-correct.
- **Goal Alignment:** It keeps you honest about whether your financial resources are aligning with the retirement lifestyle you envision. If

your net worth isn't growing at a pace to support your desired spending, you might need to adjust one or the other.

- **Decision Making:** A clear picture of your net worth helps you make big decisions, like whether to downsize your home, when to claim Social Security, or how aggressively to pay off debt. It gives you confidence in those choices.
- **Reduces Stress:** Knowing where you stand, even if it's not perfect, is far less stressful than constantly guessing or worrying. Transparency with yourself builds trust and reduces anxiety.

At ProVest Wealth Advisors, we actively manage our clients' portfolios and track their progress, making sure their net worth is moving in the right direction to achieve their goals. It’s not just a number on a statement; it’s a tangible representation of your financial freedom. It's truly empowering to see that progression.