The Pension Trust

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The Four Phases of Retirement

The CalPERS website recently had an excellent article on the different stages of retirement. It is worth paraphrasing here for you to consider as you work through your career towards a well-deserved retirement. The process of retirement is more than just "On Friday you're a County employee, and on Monday, you're…not."

1. **Pre-Retirement (ages 50-62):**

This is the phase to seriously assess your financial position. Get pension estimates from the SLOCPT and other employer's defined benefit pensions that you may have vested in. Assess your savings in the Deferred Compensation Plan or other accounts you have like 401(k)s. Review your annual Social Security statements. You may consult financial planners. Or, the DC Plan through Nationwide has an excellent Interactive Retirement Planner on their member website for you to use to estimate your financial readiness.

Log in to your DC account at www.sanluisobispo457.com.

Compare all your income sources to your current spending and debts. No doubt you will have a reinvigorated resolve to save more money for retirement in the DC Plan, Roth IRAs, or other saving methods.

2. **Early Retirement (ages 62-70):**

You may retire earlier in your 50s or much later. The SLOCPT has had Members work well into their 70s. When you do retire, you may draw your Social Security benefit as early as age 62. But it will be larger if you put it off to age 65-67 or even 70. In any case, your income sources shift, and you may find yourself spending more than you anticipated in retirement. The early retirement years are when you may be more active and spending money on things like travel. Healthcare costs change a lot when you cross over at age 65 to Medicare eligibility so you will want to plan your retirement age with a close eye on what you can afford for health insurance.

3. **Mid- Retirement (ages 70-80):**

At this point your expenses may decrease. You may travel less or have fewer dependents relying on you for financial support (perhaps tell your 40-something son its finally time to move out…). You may have downsized your housing.

However, inflation will keep increasing your cost of living. The SLOCPT pension has CPI based COLAs built in that may help cover some of the increased cost of living. Mid-retirement is also a good time to revisit your will and estate plan. Consider naming someone in a financial Power of Attorney to help out if you are no longer able to manage your affairs.

4. **Late Retirement (ages 80+):**

Increased costs late in retirement generally come from healthcare. Medicare and whatever retiree health insurance you have selected may cover much of these costs, but you will always have copays and deductibles. Assisted living or long-term health services, whether at home or in a facility, may not be covered by Medicare or insurance so you are likely to be drawing down your other savings to fund such care.

With a sound estate plan, you can manage these costs and protect some of your savings for your spouse after you are gone. The SLOCPT pension includes a spousal continuance after you die of 50% to 100% of your pension (depending on which option you selected at retirement) – this is an important part of their financial security.

We hope you all have ample time to experience and carefully manage all four phases of your retirement!