AGES AND STAGES

After decades of working and saving, clients are finally preparing to live out their retirement goals doing more of what they love.

They may want to relocate, spend more time with loved ones, or maybe make good on travel plans—but they also may be experiencing lingering anxiety about the many unknowns that accompany retirement.

As the retirement-planning landscape changes with the implementation of new legislation such as the Setting Every Community Up for Retirement Enhancement (SECURE) Act passed in 2019, it can be difficult for clients to keep track of various age-based requirements and opportunities. Be sure to communicate these important ages to your clients to maximize their benefits and prevent costly missed opportunities.

AGE 50 Clients age 50 and older can utilize catch-up contributions and can defer taxes on as much as $30,000 in 401(k), 403(b), and 457 plans as well as $7,500 in IRAs in 2023—$6,500 and $1,000 more, respectively, than younger employees.

AGE 55 Clients may take 401(k) withdrawals from a retirement account associated with their latest job without having to pay the 10% early withdrawal charge if they retire, quit, or are laid off from that job during the year they turn age 55 or later. The same rule applies to public-safety retirees as early as age 50.

AGE 59½ No 10% early withdrawal charge is applicable, and income tax still will be due on any traditional 401(k) and IRA withdrawals.

AGE 62 Clients may collect Social Security benefits at age 62, but if the income is not needed right away, a Social Security strategy will help clients with longevity. Continuing to work while collecting Social Security benefits can result in the temporary withholding of part or all of their current payments.

Source: *U.S. News & World Report*, "12 Important Retirement Planning Deadlines" by Emily Brandon, staff writer. May 6, 2013.

AGE 65

Clients become eligible for Medicare at age 65; they have a seven-month window (starting three months before their 65th birthday) to sign up for Medicare. After that window passes, clients run the risk of higher Medicare Parts B and D premiums or the denial of supplemental coverage.

AGE 66

Clients born between 1943 and 1954 are eligible to collect their full Social Security benefits at age 66. This full retirement age gradually increases from 66 and two months for clients born in 1955 to 66 and 10 months for those born in 1959.

AGE 67

For clients born in 1960 or later, the full retirement age is 67.

AGE 70

Clients can increase their Social Security benefit payments by 8% for every year they delay signing up for Social Security benefits until age 70.

AGE 73

Clients must begin taking taxable required minimum distributions (RMDs) on funds from 401(k) accounts and traditional IRAs at age 73. Beginning in 2024, designated Roth accounts (DRACs) will not be required to take RMDs. Failure to take RMDs can lead to a 25% tax on the amount that should have been withdrawn. If the taxpayer takes timely steps to remedy the missed RMD, the penalty may be further reduced to 10%. Clients who remain employed after their 73rd birthdays also may delay RMDs on 401(k)s until April 1 of the year following the year they retire.

Clients also may need guidance to navigate the various date-based retirement deadlines and cutoffs. Keeping these dates in mind as clients approach retirement can help them avoid penalties, fees, and missed tax opportunities. Be sure you consider these dates as you build your clients' retirement strategies.

DEC 31

As a general rule of thumb, remind clients that 401(k) contributions and annual RMDs should be completed by December 31 each year. This rule does not apply to the first RMD they take.

APR 1

Clients must take their first RMD from 401(k) accounts or IRAs by April 1, pushing the first distribution until April could result in a much higher tax bill than if they take only one payment per tax year.

APR 15

Clients of any age with earned income have until April 15 to make IRA contributions that will count for the previous year's tax return. Not only will they be saving for their futures, but they also may receive an immediate tax deduction for that year's return.

An annual review of these important ages and stages can help clients meet their retirement goals. Be sure to reach out to clients to determine the next best steps for the age and/or stage that fits them.

For more information about retirement planning, please contact our Retirement Strategies Group at RSG@PacificLife.com or (800) 722-2333, ext. 3939.
PacificLife.com

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