Frequently Asked Questions
Pre-Retirement Planning Guide – Epilogue

The following are the answers to a few "frequently asked questions." These questions and answers may also provide some background information for the Pre-Retirement Planning Guide.

What makes this Pre-Retirement Planning Guide unique?
I have seen no other document that develops a strategy for pre-retirement planning and implementation. In this document the retirement planning process is been broken down into a five-step process: i.e., to set your goals and objectives; create a timeline of action items to complete; research specific topics/issues which you have identified; set a retirement date; then begin your retirement. The "topics and issues" that are provided in this planning guide are only the starting point and would be found in a good Estate Planning Guide. However, you will still need to incorporate the specific topics and issues for your unique situation to create your own personal timeline of action items to complete.

When should I get started on my retirement planning?
The technically correct answer would be the first day that you worked for a wage. The reality of the situation is that most individuals do not even start to think about their retirement planning until they are in their early to mid 50s, if then. This Pre-Retirement Planning Guide can be utilized by anyone, anywhere along their retirement planning path. However, this planning guide is targeted for those individuals in their mid 40s who still have time to make minor changes that will yield significant results in the future.

What are the barriers to doing retirement planning?
As stated in the Pre-Retirement Planning Guide, "Few individuals have the foresight to perform their retirement planning exercise." Second would be getting started early enough. And third, later, having the discipline to follow through and continue to do the review and revise exercise. Everything hinges on overcoming these three barriers. However you have overcome the first barrier; continue the good work!

What is the most important lesson that should be learned (taken away) from this document?
I cannot answer this question for you. I strongly recommend that because there are so many topics/issues that an individual read the Pre-Retirement Planning Guide several times. Read the planning guide once, set the document aside for awhile, and then go back and read it again. I believe the more times you read the planning guide, the more you will discover/have something to think about.

As for a specific recommendation, regardless of your desire to do any retirement planning, the need to complete your "Legal Portfolio" may be the most important. Second would be the need to locate, organize, and document accurately where all of your estate records can be found. Why are these two so important? Be an executor and probate one estate and you will have your answer. A close third would be the need to communicate with your spouse when setting your goals and objectives. Maybe I should just leave it at communicate with your spouse!! (A good argument can be made for "communication" being first.)

Is there something in the Pre-Retirement Planning Guide that is easily overlooked?
Yes: "…the psychological and emotional challenges that you may encounter after retirement…." For some individuals these are real issues, but you may not recognize these challenges until after you start your retirement. Second would be the need to keep your mind active and growing in your retirement.

Why do I continue to hear so much about financial planning for retirement and little else?
Frankly, in my opinion, because these individuals have some product or service to sell for a fee. Having said that, financial planning is still very important in order to provide you with options in the future. Just keep this question in mind: "Are the individuals who are recommending a product or service looking out for my best interest, or are they just trying to obtain a commission?"

Is the company I work for likely to assist me in my retirement planning?
Short answer: no! In my research I found that there are a few companies/individuals who offer a "for fee service" to conduct retirement planning training sessions. In the document review process I asked a good friend of mine who had worked at IBM – Rochester and who now works at Oracle about his experience with company-sponsored assistance in retirement planning. He said, "IBM has a small program which helps their employees' transition to retirement, but Oracle had nothing." The bottom line, as stated in the planning guide: "Start with the assumption that no one is going to look out for your best interest, other than yourself."

When and how did you get started on your retirement planning?
The groundwork for this document started in 1991 while on a trip with my wife when I asked a simple question: "I wonder what it would take for us to retire at age 57?" While we did not formally write anything down, we kept this goal in mind and developed a strategy to make it happen. Later, after my retirement, I knew that there were others who would be retiring soon so I started to write some notes on things I discovered along the away in the University retirement process; hence an old document called How to Retire Smart.

Where did you obtain the knowledge base for the 'Topics/Issues'?
This is going to sound a little smug and self-serving, but working at the University taught me to listen and not to assume. I also learned a lot about analyzing and questioning situations. I learned that there is not just one way of doing something; each person has his own perspective. The University environment forced me to think about where other people are coming from and to research their way of thinking about an issue. When I discovered something new about a retirement issue, I would first crosscheck the information and then I would exchange this idea/information with others to get their viewpoint.

Have you had any feedback from an individual who has successfully retired?
First, you would need to define and then try to measure "success." I can say that I had shared the old "How to…" document with an individual who, after reading the document, discovered that she was not prepared to retire; she needed to postpone her retirement for two years. Was this a success when she recognized that she was not prepared to retire? I do not know the answer. Plus, I am not sure how to measure "peace of mind" once you have completed your retirement planning exercise.

May I share this Planning Guide with others?
The 'Right To Use' section says, "The Pre-Retirement Planning Guide is copyrighted material. However, this guide is freely available to anyone who wishes to use it for their personal use only, without seeking permission." I hereby grant you permission to redistribute this document as long as the document remains intact. You may also want to send along this Epilogue.

As always – comments and suggestions for improvement are welcomed and is encouraged.

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PRE-RETIREMENT PLANNING
ADVICE FROM A RETIREE WHO HAS LEARNED FROM EXPERIENCE

BY
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DECEMBER, 2010

The Retirement Issues Committee offers this document as one of many sources of information that potential retirees might find useful as they make retirement decisions. It was written by a UW colleague who described his own experiences but who does not claim to be an expert in human resources or retirement counseling. Readers are encouraged to have their personal situation reviewed by their professional consultants.

Please note that this document does not take into consideration changes that might arise from Governor Walker's budget repair bill or the proposed budget for the 2011-13 biennium. For updates, see http://www.etf.wi.gov.

You might find it convenient to print
these pages for future reference

Statement of Purpose

A personal story: I knew an individual who, at the end of the calendar year, would sit down to review and revise his "1, 3, and 5 Year Career Objectives" planner. An observation: Few individuals have the discipline to perform a planning-and-review exercise to meet their career objectives. And while many individuals think about and/or talk about their retirement, even fewer individuals have the foresight to develop a strategy (a plan) in order to transition successfully from their working career into retirement.

Recognize there are five distinct steps to retiring. The first step is to **identify your goals and objectives**. First identify your near-term retirement goals, e.g., "I want to retire at age xx." Then set your in-retirement goals, e.g., "In retirement, I want to…." The second step is to **create a timeline of milestones to achieve** to attain your parallel sets of goals and objectives, e.g., "What do I need to do in order to retire at age xx?" and "What do I need to do in order to meet my in-retirement goals?" The third step is to **do your pre-retirement planning and research**. Fourth, **set a specific retirement date**. And finally, **begin your retirement**. Unfortunately, retirement-planning materials generally fail to define these steps clearly and, to compound the frustration, lump the necessary steps into one generic term: *retirement*.

The objective of this document is to develop a strategy for pre-retirement planning and implementation. To meet the intent of this document, the document has been broken down into two sections: Section 1 is a narrative that identifies some of the topics and issues that should be thought about and that you may need to research, while Section 2 has an example of a *timeline* with a checklist of suggested milestones to achieve prior to your actual retirement date.

A Few Thoughts to Keep in Mind

Start with this assumption: No one other than yourself is going to look out for your best interests.

Whether your retirement is imminent or down the road, start your pre-retirement planning now! The need to identify, research, and then take action on your pre-retirement planning issues is essential for the successful transition to your in-retirement years. Recognize that any decision you make has consequences. However, the choice to make no decision is, more often than not, the wrong choice.

The best single piece of advice I can give you is in the form of a question:

> You have planned for your education, your marriage, your family,
> your children's education, and your career; why would you spend any
> less time in planning for your transition into retirement and beyond?

Before We Get Started

Legal Basics 101:

- What is a *Last Will and Testament*?

  A Last Will and Testament, including any codicils, can range from a very simple to a very extensive document. In the simplest form, a Last Will and Testament is a legal declaration by which you (the Testator) name one or more individuals to manage your estate upon your death and provide for the orderly transfer of your property. For the parent(s) of a minor child (or children) and/or a child with special needs, the importance of creating a Last Will and Testament laying out your wishes for the child's (children's) guardianship cannot be overemphasized.

- What are a *Durable Power of Attorney* for financial matters and a *Power of Attorney for Health Care*?

  In the simplest form these Powers of Attorney authorize a specific person to act as your agent(s) to make decisions on your behalf should you become unable to handle your personal affairs.

- What is an *Advance Health Care Directive* (also known as a *Living Will* or a *Declaration to Physicians*)?

  An Advance Health Care Directive is a legal document in which you make known to a physician and your family your wishes regarding life-prolonging medical treatment.

Take Action Now:

If you do not have a Last Will and Testament, a Durable Power of Attorney for Health Care, an Advance Health Care Directive, or a Durable Power of Attorney for financial matters, you should get these documents prepared now! See References 15 and 16 below for links to obtain free health care forms.

You will want to have at least one *certified* copy of these documents made for each of your agents. Never, ever let your original copy of these documents leave your guardianship.

If you have each of these instruments, review and consider any changes you may wish to make. A question: When was the last time you sat down with your executor and/or your agent for each of these instruments and talked with them to ensure that they know what your wishes are?

Recognize the Broader Issues When Planning for Your Retirement

Retirement is the next great adventure in your life. In planning for retirement, you might ask yourself, "What are the possibilities for the remainder of my life?" Take the time to step back and look at the big picture.

Starting your retirement will be a life-changing event. Retirement will impact both you and your spouse. First and foremost, now is the time to communicate with your spouse or partner to develop a set of common (unified) goals and objectives for your in-retirement years, while respecting each other's individual goals and needs. The individuals who write down their in-retirement goals and objectives are more likely to achieve them. Next, establish priorities for your in-retirement goals and objectives.

When setting your in-retirement goals and objectives, include plans to keep your mind active and growing. Few individuals can just stop their working career and do nothing. You may be one of those individuals who needs some structure to his or her life. For those reasons and others

- consider taking continuing education classes in an interest area
- consider learning something new — to play the piano, to paint, etc.
- consider starting a business, a second working career, mentoring, or doing volunteer work
- tap into your hobbies and interests — photography, woodworking, etc.
- develop a plan for your leisure-time activities such as travel, golf, biking
- do not forget to maintain your physical health and wellness

A mistake made by many individuals when they think about their transition from work to retirement is that they focus on their financial and career concerns but overlook the psychological and emotional challenges they may encounter, such as identity crisis, life satisfaction, and questions about self-worth and purpose. The need to recognize and address these psychological and emotional challenges is beyond the intent and scope of this document, but be aware that these are real issues.

The consideration of a long-term health care insurance policy and **your in-retirement housing needs** is acknowledged, but again these topics are beyond the intent and scope of this document. See Reference 9 below for a link to other resources that may assist you in addressing these issues.

Financial planning for retirement. Much has been written about the need for financial planning to fund your in-retirement years. The consensus is that there are three components: **your retirement annuity**; any **self-directed investment(s)** be they in a Tax Sheltered Annuity (TSA) such as 401K/403B plans or IRA programs, investments in stocks and bonds, or other savings; and your **Social Security** benefit. Knowing and understanding what revenues will be derived from each of these sources of income will allow you to plan for the funding of your in-retirement years. Very little further discussion on financial planning will be provided in this document.

Section I: Topics/Issues to Identify and Research in Your Pre-Retirement Planning

Listed below are a few topics/issues that you may not have thought about but that should be considered in your pre-retirement planning activity (no order of importance intended):

- You should think of retirement planning as being a *total* evaluation and planning exercise. You need to consider both your and your spouse's/partner's retirement benefits; these are your combined assets. There are choices to be made; take from whichever retirement package offers you the best option(s).

- If there is one recurring concern in retirement, it is paying for health care. You will need to develop a strategy to cover the expense of your health care insurance until you start on Medicare. Then you will need some form of Medicare supplemental health care insurance to cover those expenses that are not covered by Medicare.

  Evaluate your options. If you are married, consider any employment/retirement benefits your spouse receives in the way of a health care plan. You may want to go under your spouse's employment/retirement health care plan awhile and then switch to your own health care plan in the future. Or it may be advantageous, depending on your spouse's employment/retirement benefit and his or her health care plan, for each of you to use your own plan as a "single" individual. Collectively, two single-coverage options may have less cost than a family-plan option from one or the other. All of these options need to be researched to reveal what the optimum choice is for you and your spouse, now and into the future.

- Review your estate planning needs. One of the most valuable gifts you can leave to your heirs is a well-organized estate that has eliminated unnecessary cost and stress. Much has been written about estate planning and can be easily researched. At the very least consider these two points:

  The importance of complete documentation of your estate cannot be overstated. Create a "Locate Me" document that your personal representative and/or your heirs can consult upon your death. A list of personal records that should be documented and a structure for the information that should be gathered can be obtained at http://militaryfinance.umuc.edu/estate/estateplan_checklist.html . An alternative is to join the UW Retirement Association and obtain a free copy of their *Living Ledger*. Annually review and revise your "Locate Me" document to keep it current.

  Protect your assets. If you are married, ensure that all property is in joint ownership (there are probate and estate tax implications). And while trust funds may be expensive to set up, the establishment of a trust fund could save a tax liability, probate delays, and costs in the future. An alternative to a trust fund is a "Payable on Death" (POD) or a "Transfer on Death" (TOD) account(s) with a financial institution. A POD or TOD account may accomplish the same objectives as a trust fund, but at no cost to you.

- Ensure that the named beneficiaries on any retirement plan, life insurance policy, POD or TOD account, 401K and/or 403B account, are up to date and reflect your wishes. A review of all instruments with named beneficiaries should be done annually.

- If you have a "living trust" and/or an "irrevocable trust," you will also want periodically to review these documents to ensure they reflect your wishes.

- Periodically obtain and review your credit report. Under Federal and State law you are entitled to receive a disclosure copy of your credit file from a consumer reporting company. With identity theft on the rise, this is one line of defense to protect yourself. See Reference 19 below, which is the official website.

  Exercise extreme caution. Avoid on-line companies that offer a free credit report or a free credit score service. Should you chose to use one of these on-line companies, check to ensure that "free" means "free," that your personal information will not be sold, and that you will not be targeted by intrusive third-party marketers.

- If you have not done so already, you may want to start paying down any mortgages, vehicle loans, credit cards, etc. The sooner you are debt free, the earlier you will be financially secure.

- Consider making any major purchases prior to your retirement. If you want to finance any major purchase, such as a new car or a new (or second) home, you may want to finance the purchase while you can show a proven income. Financial institutions may consider you a better credit risk if you have a job and a fixed salary than if you are living on your retirement income, however secure your retirement income may be.

- If you have put money into a self-directed investment fund such as a tax-sheltered annuity, evaluate each investment and forecast what monies will be available to you in your in-retirement years. Make any necessary adjustments to reach your financial goals.

  If you are planning to use your self-directed investment funds as a part of your in-retirement income, understand the implications on your Federal/State tax withholdings and on your Social Security benefit.

- If you have IRA accounts, there are terms and conditions under which you can withdraw these funds. I.e., under the Federal tax law, you cannot start withdrawing funds prior to age 59½ without a tax penalty, but you must start your withdrawal no later than age 70½.

  Develop a strategy for the systematic withdrawal of any IRA funds if these funds are to be used as part of your in-retirement income. Be sure that you understand the implications of your decision on your Federal/State tax withholdings and on your Social Security benefit.

- Make sure there are no liens against your home or other titled properties. Clerical mistakes can happen, even if a loan has been paid off. You will want to make sure you have clear title to all of your property on the off chance you may wish to sell the property in the future. This is often overlooked. Now is the time — not when you get ready to sell.

- Know and understand any life insurance policies you and your spouse may have beyond those that your employer or retirement benefits may provide. Be sure that you have adequate, appropriate coverage, but not redundant policies and coverage.

- Consider making your funeral arrangements and pre-paying your funeral expenses. You can put any monies into a POD account or a trust fund rather than making a prepayment to a single funeral home. This is one more expense you will not have in the future.

- Do not overlook dormant benefits in a retirement plan or a pension fund from a previous employer. Go back over your employment history and search for any benefits that you may be eligible to apply for.

- If you receive royalties from copyrighted materials, such as books, music, or patent ownership, periodically review any provision for named beneficiaries.

- If you or your spouse was honorably discharged from one of the branches of military service (Active Duty or Reserves), check to see if you are entitled to Veterans' benefits. A starting point would be http://www.va.gov and http://www.military.com/benefits. The State of Wisconsin's Veterans Affairs website http://www.dva.state.wi.us/benefits should be visited as well.

  You will want to obtain a copy of your DD214 discharge document to submit for credited service when you apply for your University/State retirement benefit.

  Did you know: If you are a veteran and a resident of the City of Madison, WI, at the time of your death, you and your spouse are eligible for a free burial plot in the Veterans' section of Forest Hills Cemetery? This is not widely known — just one more reason to do your research.

- Know and understand your Social Security benefits.

  The Social Security website is www.ssa.gov. While these web pages are not great, you should be able to glean some information from them.

  The best way to apply for your Social Security benefit is on-line 60 to 90 days prior to the date on which you wish to start receiving your benefit. However, be prepared; you may need to take a certified copy of your birth certificate and, if you are married, a certified copy of your marriage license or certificate to the Social Security office.

  Consider carefully when you want to start receiving your Social Security benefit. Do you want to start receiving checks at age 62, at age 65, or when? Here is yet another case where each individual's and couple's need for planning really matters!

  In making this decision, you should be aware that Social Security sets limits on the income you may receive from employment after you have begun to receive payments from Social Security. These limits will depend on your age and the age at which you start to draw your Social Security benefit. You will want to know these limitations so you are not surprised by a tax liability in the future.

  Myth: Social Security payments arrive on the 1st of the month. In fact, the Social Security benefit is paid on either the 1st, 2nd, 3rd, or 4th Wednesday of the month, depending on your birth date.

  Myth: Social Security and Medicare (the government's health care plan) are the same thing. If you do not know and understand the difference, now is the time to educate yourself.

  Myth: Receiving your Social Security benefit means you will be receiving Medicare. The fact is that you usually cannot start Medicare until you reach the age of 65. And, as you will soon learn, the Medicare Insurance (Part A or B) pays only a very small portion of any medical expenses. If you take prescription drugs on a daily bases, you will need to understand how Medicare's Drug Coverage Plan (Part D) co-pay will affect you.

- Prepare a budget for a year of retirement.

  Why prepare a budget for a year of retirement? And what are you attempting to identify?

  - Timing is everything. It is important to know when your income will arrive and how your income deposit dates relate to the dates on which your expenses will come due. (For example, you may be accustomed to being paid twice a month, but your annuity payment will arrive only once a month.) And if you choose to start your Social Security payments, a second income will arrive later in the month. Next you must consider the timing of your spouse's various income payments. Finally, knowing the billing due dates for each of your expenses, such as utility bills and credit cards, will aid in your budgeting process.
  - The cost of providing for a health care plan and the cost of prescription drugs may be the largest single expense you need to budget for.
  - When preparing a budget, use the worst-case scenario. If your highest utility bill is in January or February, use this figure for the 12-month period.
  - Recurring monthly fixed expenses are easy to identify, but it is easy to forget semi-annual or annual expenses such as auto and homeowner's insurance, water utility, and property taxes.

    A suggestion: If your financial institution allows it, create multiple savings accounts each with a designated purpose to fund specific semi-annual or annual expenses. Then set up a schedule for the orderly transfer of funds to each specific savings account to segregate the money in order to have the funds available when a payment is due. E.g., establish a property tax savings account and transfer $xxx each month to fund the property tax payment at the end of the year.

  - Often overlooked in the budget planning process is an adequate reserve for those expenses that come up infrequently such as major maintenance costs for your home, vehicle, etc., or the replacement of a major appliance.

  Another suggestion: One year prior to your retirement date, take your in-retirement budget out for a "test drive" for a couple of months. Now, while the adjustments are still easy, is the time to find the glitches in your budget.

  Finally, consider this: Financially there are three groups of individuals: Group 1 who annually make $10K, but spend $12K; Group 2 who make $10K and spend $10K; and Group 3 who make 10K, but only spend $8K. I submit that Group 3 will find the financial transition to retirement much easier.

Topics/Issues Specific to a University Retirement

The Office of Human Resources offers individual retirement counseling. See Reference 5 for the link to obtain the specific details concerning eligibility. At the very least you can use this resource to see where you stand with regard to your retirement benefits.

In order to start your retirement you need to interact with two entities: a campus retirement specialist (see Reference 5, below) and Employee Trust Funds (ETF). Each entity has a role in starting your retirement. For the campus, the retirement specialist is the individual who handles the technical aspects of your retirement, e.g., signing the necessary forms, choosing any continuing life insurance and health care plan. The ETF specialist will provide in-depth information concerning the different annuity payment options that are available to you.

As a participant in ETF, you must make decisions that will affect your retirement annuity, but the options available to you are mandated by state statutes. Your retirement annuity payment will be the higher of the "money purchase" or the "formula" method. While it is true that over the years you have received an annual statement of your *estimated* retirement annuity payment, your actual retirement income will depend on the circumstances prevailing at the time when your retirement begins.

- The ETF has six different options under which you could receive your retirement annuity payment. Before you talk with the campus retirement specialist, prepare yourself with the facts about each of the retirement annuity payment options. Which plan is right for you? Only your situation and your research will provide the answer.

- One of the most valuable benefits that you may have is the conversion of your unused sick leave into an escrow account to pay your health care plan premiums in retirement. For many retirees, this escrow account is sufficient to pay for supplementary health care insurance for many years. This benefit is complicated and subject to change; for details, consult the link cited in reference 21 at the end of this document, and be sure to have it explained by the campus retirement specialist when you discuss your retirement arrangements.

  Knowing this, you may choose to save your sick leave hours and, instead, use your vacation time to cover your illnesses. If you recognize this benefit early enough, you may be able retire with enough banked money to pay for your supplementary health care premiums until you reach well into your 70s or longer.

- You will want to set your retirement date after the first day of the month. Here is the reason: when you work for any portion of a month, the University pays your health care plan premium for the entire month. For those with a family plan, the saving can be on the order of $1,000.

- Take advantage of paid holidays. If your plans allow, retire after one of the major holidays, e.g., Labor Day weekend. By scheduling the start of your retirement on the Wednesday following Labor Day, you get paid for the long weekend and you come back for one day to satisfy the University rules, before your retirement date.

- Manage any vacation allowances. If you have a large number of hours, especially if you have more than one or two months of accumulated vacation time, you will want to consult with your financial or tax advisor. Taking a one-time payout may sound attractive, but consider the tax implications. You might prefer to use your accumulated vacation time or sabbatical prior to your retirement date. Think of this time as your warm-up to retirement or as your working into retirement. On the other hand, you might like to take a cash payment for your unused vacation and pay the necessary income taxes. Note that your ability to take a cash payment may be at the discretion of your hiring unit. (The rules on unused leave credits are subject to change. It would be wise to check the official policy statements, links to which are given in reference 22 at the end of this essay.)

- Do not forget about U.W. parking. The choice of a specific retirement date, say a mid-year date, may affect what payment option you should select prior to your retirement. Note, for example, that, with the pre-tax option, you cannot receive a refund for any unused portion of the year.

- If you are considering an end of year retirement, you have heard, "Never retire on December 31st; always retire after January 3rd." The issue revolves around the crediting of the current year's dividends to your retirement account. You need to check these facts with ETF.

- If you are considering an early retirement or if you have less than 30 years of credited service on your projected retirement date, get the facts and know the University's rules for early retirement. While it true that the earliest age at which you can receive any retirement annuity benefit is age 55 (except in the protective service occupations), there will be reductions from the full monthly retirement benefit. A chart with various combinations of age vs. years of credited service at http://www.uwsa.edu/hr/benefits/retsav/early.htm shows the percentage of the base monthly retirement benefit (under the "Annuitant's Life Only" retirement option) that is payable. You need to discuss this with the retirement experts if you want to retire early.

- Myth: Your ETF retirement annuity is paid on the 1st day of the month. The correct phrasing is "… is deposited on the 1st business day of the month." In the case of University salary payments, if the 1st day of the month happens to fall on a Saturday, you receive your deposit on the previous Friday. But with the ETF, your benefit will not be deposited until the first business day of the month.

- You should make an appointment with an ETF specialist at least six months prior to your retirement date. Again the timing is important. If you are considering an early January retirement date, be sure and call early enough to schedule your appointment with the ETF specialist. The end of December/early January is one of the busy periods for retirements.

  Research is your friend; do the background/prep work prior to discussing your annuity payment options with the ETF specialist. The ETF specialist may be able to give you a better feel for which annuity option is best for you. However, the final decision on which option to retire under is yours alone.

- In your meeting with the campus retirement advisor, you will be asked about continuing your University Life Insurance policy after retirement. Do your research prior to your meeting.

- At the beginning of your retirement, it might be a good idea to enter “zero” for the number of your dependents when filling out the Federal/State W-4 form for your tax withholding.

  When you retire, more than likely your income will go down, putting you into a lower tax bracket. However, if you have worked for any portion of the year, your tax liability is on the total income for the tax year. Stated another way, unless you claim zero dependents, you could end up with both a Federal and State tax liability at the end of the year. You can always adjust your withholdings in future years if you are getting too much back in refunds.

  The timing of when you start your Social Security may also affect what you want to do with your Federal and State tax withholdings.

- Once you have done all the background work, you might consider cutting back to 50% time for a period of time prior to your actual retirement. This will require negotiation with your department/supervisor, but, given the budget difficulties of the State/University, the University may grant your request. On the up side, at 50% the University still covers 100% of your health care insurance premium cost. If you do consider reducing to 50%, then set a specific schedule for when you will be at work — e.g., work two days one week and then three days the next week. Check this out carefully to make sure that you understand the conditions that apply to possible part-time employment (see Reference 20 below).

<u>When Setting Your Actual Retirement Date:</u>

Check the calendar. All things being equal, if you decided to retire in May or June, you would want to set your actual retirement date for the second work day after July Fourth. Here is why:

- by working after July 1st, you get your July health care plan paid for by the University.
- any salary adjustment you might receive will be applied as of July 1st. This changes your hourly pay rate, which adds a few dollars to your prepaid health care insurance fund. [For a faculty member with a 9 month appointment this may be different.]
- with a retirement date just after July 4th, you get paid for the holiday and the next work day, and then you retire.
- you can use any vacation time prior to July 4th, when the weather is nice.

Apply the same logic to a summer retirement. You would want to set your retirement date for the second work day after Labor Day. Here are a couple of additional reasons for a September date:

- the University pays a couple of more months of your health care plan.
- you have already paid for your U.W. parking; use it.
- life on campus in the summer is laid back and good.
- this will rarely happen, but if your unit has hired your replacement, you can spend some extra time training the individual.
- again, you can use any vacation time while the weather is still nice.

After You Have Completed Your Pre-Retirement Planning:

- Once you have decided on your actual retirement date, draft a letter of resignation.

- Contact the campus retirement advisor; there will be a number of forms that you will need to sign. For future reference, be sure and ask for a photocopy of anything you have signed; you will want a copy for your records.

- For faculty, academic staff, and classified staff, request emeritus status. There are campus benefits to having the emeritus status. See Reference 6, below.

- Again, review and revise the goals and objectives for your in-retirement activities.

That Is About It!

Section II (below) is a suggested timeline with a checklist of suggested milestones to achieve in your pre-retirement planning process.

Remember, you are not the first person to retire. Talk with others who have recently retired and/or who have been retired for some time and learn from their experiences. And then share your experiences with others.

It is going to take some time to digest all of the issues that have been raised, but it is my hope that this document has provided you with some assistance in your pre-retirement planning. Send any comments and/or suggestions for improvements to me, and I will include them in my next revision.

Two Final Thoughts:

While walking past a colleague's office, I noticed he had posted his exam schedule with a note stating: "The date on the calendar is closer than it appears." While your retirement date may seem far in the future, I believe you will find, "The date on the calendar is …."

In my opening "Statement of Purpose," I said, "… even fewer individuals have the foresight to develop a strategy…." Be that exception! You do not want to study at the school of hard knocks where the lessons of *could have*, *should have*, and *would have* are taught. Think of the time and effort you put into your pre-retirement planning as being one of your investments, **where the payoff in future years is peace of mind**.

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Section II: Suggested Milestones to Achieve in Pre-Retirement Planning

Because each individual is unique and therefore each situation is unique, the following is only a suggested timeline with a few suggested milestones to achieve in the pre-retirement planning process. You will need to keep your situation and needs in mind as you read my narrative so that you can develop your own timeline and checklist of milestones in order to achieve your specific goals and objectives. (Not all bulleted milestones listed have a corresponding narrative.)

My (Our) In-Retirement Goals Are

- to spend my (our) winter months in a warmer climate
- to check off a few more items from my “bucket list”
- for each grandchild, at age 12 take them on a trip of their choice
- to do genealogy research on …
- etc.

My (Our) Intermediate Retirement Goals Are

- to retire at the age of …
- be debt-free 10 years prior to my retirement date
- etc.

A Timeline to Attain My (Our) Goals and Objectives

Do It Now:

- Have an up-to-date Last Will and Testament; Durable Power of Attorney for Health Care; Advance Health Care Directive; and Durable Power of Attorney for financial matters prepared.
- Locate, organize, and document where all important records can be found.
- Review and ensure the named beneficiaries on any retirement plans, life insurance policies, POD or TOD accounts, 401K and/or 403B accounts, etc. are up to date.
- Review all property ownership.
- With my spouse, discuss and establish a clear vision of our in-retirement goals and objectives. [Do not forget about our emotional and psychological needs.]
- With my spouse, discuss and create our intermediate retirement goals and objectives and our pre-retirement planning timeline with a checklist of milestones to achieve.

Five to Ten Years (or even earlier!) **Prior to Retirement Date:**

- Periodically (annually) review and revise my (our) in-retirement goals and objectives.
- Periodically (annually) review and revise my (our) pre-retirement planning timeline.
- Periodically (annually) obtain and review my credit report. See Reference 19, below.
- Pay down any mortgages, vehicle loans, credit cards, etc.
- Adjust any contributions to self-directed investments to meet our financial goals.
- Protect our assets by reviewing our estate-planning needs.

One to Five Years Prior to Retirement Date:
- Attend pre-retirement workshops, preferably one that is WRS based. [Reference 9 below]
- Get a comprehensive and thorough medical and dental examination. Start treatment for any problems that may exist or that can be anticipated.
- Plan my funeral, including writing my own obituary. [Who better than you to write this?]
- Consider making any large purchases such as an automobile or a second home.

Twelve Months Prior to Retirement Date:
- Begin seriously thinking and talking about my retirement.
- Contact ETF and obtain a Retirement Estimate and Retirement Application.
- Review my health care and life insurance coverage needs.
- Consider long-term health care insurance policy and determine whether I need one.
- Prepare an income and expense budget for a year of in-retirement.

Six Months Prior to Retirement Date:
- Schedule a review of my annuity options along with any other questions with ETF.
- Schedule a review of my retirement benefits with the campus retirement advisor.
- Review and revise my plan for what I (we) want to achieve (do) in retirement.

Three Months Prior to Retirement Date:
- Mail my retirement annuity application to ETF. [The earliest ETF can accept your application is 90 (not 91) days prior to your retirement date. Be sure and make a photocopy! Mail the application *certified mail with return receipt requested* as proof of receipt.]
- Think about notifying my employer of my intention to retire. [Just a nice gesture.]
- If you are faculty, academic staff, or classified staff, request emeritus status.
- If you are 62 or older, make any decision on when to start your Social Security benefit.

On Your Retirement Date:
- Congratulations! Breathe! You are starting the rest of your life!

Later:
- Ensure my annuity and Social Security payments have been deposited.
- Contact my auto insurance agent to discuss any discount for driving limited miles.
- A suggested in-retirement (or even earlier) activity. Can we agree that we all have too much stuff? Now is the time to downsize your personal property. Start in the attic, basement, and garage. Use this rule of thumb: if you have not looked at it or used it in the past three years, you probably do not need it. Sell it, repurpose it, or give it away. A parallel activity would be to conduct an inventory of your personal property, including a digital photograph, and write a history of the item, and then document your wishes on who should receive those special family items. Together these tasks will help to eliminate unnecessary stress on your spouse, your executor, and/or your heirs in the future.
- Continue annually to review and revise my (our) in-retirement goals and objectives.

Continue to enjoy the rewards of your investment in retirement planning.

Website Resources

As a time saver, the results from a search of the web on the key words *retirement planning* or *pre-retirement planning* will retrieve multiple sites of which 90% will link you to a financial planner/calculators and little else. A search on the keywords *transition to retirement* will yield a number of sites that discuss issues related to an Australian government program for early retirement. However, if you have the time and desire, perform these searches yourself; there may be a few gems in the rubble.

Links to References and Resources:

0 – http://www.ssa.gov
— official U.S. Government website for Social Security Administration
1 – http://www.medicare.gov
— official U.S. Government website for Medicare
2 – http://www.bussvc.wisc.edu/ecbs/
— University's Employee Payroll and Benefits Resources – Home Page
3 – http://www.bussvc.wisc.edu/ecbs/emp-info.html
— a variety of topics dealing with your benefits and retirement
4 – http://www.bussvc.wisc.edu/ecbs/emp-retirement-menu.html
— topics specific to retirement issues
5 – http://www.bussvc.wisc.edu/ecbs/Benefits_Retirement_Appointment.pdf
— Office of Human Resources – Individual Retirement Counseling Service
6 – http://www.bussvc.wisc.edu/ecbs/retirement_emeritus_status.pdf
— look under *Retirement* for rules and application for emeritus status
7 – http://www.etf.wi.gov/
— Wisconsin Employee Trust Funds – Home Page
8 – http://etf.wi.gov/publications/et4116.pdf
— "Information for Retirees"
a good first step to obtain answers to some basic questions
9 – http://etf.wi.gov/publications/et4131.pdf
— "Pre-retirement Planning Program" short course is offered by the
Wisconsin Technical College System. The course is offered in the evening.
In Madison – Catalog #42308415 call: 258.2301 for cost and registration information.
10 – http://www.va.gov also www.military.com/benefits
— If you have prior military service, do not overlook any Veterans benefits.
11 – http://www.dva.state.wi.us/benefits
— State of Wisconsin Veterans benefits
12 – http://www.countyofdane.com/veterans/
— Dane County Office of Veterans Affairs

Links to Other References or Resources:

13 – http://militaryfinance.umuc.edu/estate/estateplan_checklist.html
— note: there is no www | an organized structure for important personal records
14 – http://www.baby-boomers-planning-for-retirement.com/index.html
— A very good website to visit; well organized and well written.
15 – http://www.dhs.wisconsin.gov/forms/AdvDirectives/F00060.pdf
— State of Wisconsin – Advance Health Care Directive (a fee-free form)
16 – http://www.dhs.wisconsin.gov/forms/AdvDirectives/F00085.pdf
— State of Wisconsin – Power of Attorney for Health Care (a fee-free form)
17 – http://www.irs.gov
— Federal Internal Revenue Service Home Page | Tax Information
18 – http://www.dor.state.wi.us
— Wisconsin Department of Revenue Home Page | Tax Information
19 – https://www.annualcreditreport.com | a secure site
— Official site to request a free credit file disclosure from each of the three nationwide consumer credit reporting companies: Equifax, Experian, and TransUnion
20 – http://etf.wi.gov/publications/et2121.pdf
— ETF site on the effects of part-time employment on benefits.
21 – http://etf.wi.gov/publications/et8929.pdf
— Current information on the conversion of unused sick leave to create a health-insurance escrow account
22 – http://oser.state.wi.us/docview.asp?docid=3422
— HR Handbook Chapter 716, Section 716.080, Policy on Classified unused leave.
– http://www.uwsa.edu/hr/upgs/upg09.pdf
— UPG#9, Policy on Unclassified unused leave.

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October 2010 – incorporated technical corrections, comments, and suggested changes
November 2010 – a copy given to the U.W.-Madison Retirement Issues Committee for their use

Legal Disclaimer

The information provided is not intended as either legal or tax advice, but rather as general information on issues commonly encountered in the retirement planning process.