

## Financing Your Retirement

For many Americans considering retirement in the next decade, financing their retirement will be important. Retirement planning requires careful consideration of many investment options.

The once-common traditional retirement plans, or 401k, offered by employers are less likely to be offered today than in the past. Wage earners are more likely to experience the ‘do-it-yourself’ model--the consumer must provide income for their own retirement years.

**In determining the retirement income you need, consider these factors:**

- health status
- access to and affordability of health insurance
- travel plans
- housing
- living expenses
- other income sources

Retirees may need to adjust their pre-retirement lifestyle as well as identify ways to pay for rising health care costs during retirement, possibly for a significant period of time. Rarely is a monthly Social Security check large enough to cover all living expenses. Other income sources: an employer-sponsored retirement plan, IRAs and a variety of investment options will continue to be needed to supplement benefits paid to retired workers by Social Security.

**IRAs are ‘individual retirement accounts.’ There are two types: traditional and Roth.**

Contribution limits and age requirements are the same for both kinds. The yearly maximum is \$4,000 [increases to \$5,000 in 2008] of earned income. Consumers must be age 59 1/2 to begin withdrawal and are required to begin IRA distributions by age 70. One’s annual taxable income is reduced with a traditional IRA. A Roth IRA provides tax benefits after retirement rather than up front.

Like any type of investment, early participation in IRAs allows for a lengthy period of growth. However, IRA accounts can be started following retirement as long as there is earned income. Many retirees move from full-time to part-time employment for a period of years before reaching the stage of full retirement.

Contact a financial planner to determine what type of investment option would be best suited to your individual situation. Check with your bank, a savings and loan or local credit union for financial planners in your area. Or, you may want to ask a trusted friend or colleague to recommend someone; word-of-mouth endorsements can be an excellent way to start your search.

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