

# How to Tell If You Are Ready to Retire

*By Emily Brandon*

It can be difficult to know if you are truly ready to walk away from the steady paychecks a job provides. Most people's finances would be improved by another year spent in the workforce, but you also don't want to work for so long that you don't have time to enjoy the things you want to do in retirement. Here's how to tell if you are ready to leave the working world behind.

**You know how much you will get from Social Security.** Take a look at how much income you can expect to receive from Social Security. You can get a personalized estimate of your future benefit payments at [ssa.gov/myaccount](https://ssa.gov/myaccount). Take care to consider how the benefit amount changes if you sign up at various ages and whether it makes sense to coordinate payments with your spouse to maximize your benefit as a couple.

**You qualify for Medicare or other affordable health insurance.** If you receive health insurance through your job, you need to find another form of coverage before you retire. Many people work at least until they qualify for Medicare at age 65. If you want to retire sooner, coverage options include retiree health insurance or COBRA coverage through your former employer. Another option is coverage purchased through your state's health insurance exchange. "Often if you are working as an employee, your cost is subsidized by your employer," says Sheila Padden, a certified financial planner for Padden Financial Planning in Chicago. "A lot of people try to make it to age 65 because the cost of health care on your own is just very expensive."

**You have enough cash flow to cover your monthly bills.** You need to estimate how much money you will have coming in from Social Security, pensions, 4 percent annual withdrawals from your retirement savings accounts and any other retirement income you will have, and make sure it is enough to cover your monthly bills. "The first step is to add up everything that you have in terms of investments, your broker account, 401(k), IRA, all your investment accounts, and if you have a rental property, you can include that too, and most of the time multiply that by .04. Then add to that your Social Security and pension income," says Keith Amburgey, a certified financial planner for Rutherford Asset Planning in Tampa, Florida. "That's your budget. If you can live on that, then you could think about retiring now." For example, if you have \$1 million saved for retirement and withdraw 4 percent of the initial amount annually, you will have \$40,000 per year, and then you can add your Social Security income to that amount.

**You have stress-tested your retirement finances.** Successful retirement planning involves more than simply covering your monthly bills. Consider how a variety of scenarios, such as a significant decline in your investments, a nursing home stay or living until age 100, will impact your cash flow, and what you would do to cope with each situation. You also need a plan to pay for emergency costs and routine large expenses like replacing your furnace. "What is often overlooked when looking at their monthly budget is one day you are going to have to buy another vehicle or need a new roof or have a foundation issue or a \$20,000 emergency cost,"

says Jim Oliver, a certified financial planner for Jim Oliver & Associates in San Antonio. An emergency fund to help cover these costs continues to be a necessity in retirement.

**You have something else to do.** It's fun to dream about walking away from a stressful job you dislike, and many new retirees certainly deserve a few weeks or months of downtime. But once you have rested up, you will need to find something else to do all day. You might want to travel, volunteer, explore new hobbies or take on a part-time job. "You need to have a plan for what your retirement will look like and what you want to do if you stop working at 65," Oliver says. "If you don't have any idea what you are going to do, how are you going to know if you have enough money to do what you want to do?"

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