

Tips to Help You Pursue Early Retirement

Do you think you're ready to start your dream retirement? This is getting harder to do. In 2014, just 4 percent of Americans expect to retire before 55, compared with 15 percent in 1995, a Gallup* poll says. Check your preparedness by seeing if you have the following:

A monthly income stream to cover living expenses and taxes. A few examples would be pension or annuity payments, interest or dividend income, rent from income property, or part-time income. Remember, you may need this income for decades.

Medical insurance you can afford. You might be lucky enough to have a retiree medical plan or insurance through your spouse, but if not, you may want to look at your options in the Affordable Care Act Health Insurance Marketplace. Possibly consider a combination of a high-deductible plan with a tax-free Health Savings Account, which could potentially help you save on costs.

Six months' worth of emergency funds. You should have enough cash to cover six months of expenses outside of your retirement accounts. This type of financial cushion can help you weather simple household emergencies without putting a drain on your longer-term investments.

A plan for managing at least 3% inflation a year. When projecting for the future it is important to you include inflation in your income and spending needs. In my experience, many private pensions do not have a cost of living adjustment in their monthly pension payments. Thus, the payment you would get at age 55 would be the same payment in 30 years at age 85. If inflation is around 3% over this time, your dollar would stretch to less than half of what it could buy today.

Look for more tips coming in my next column! I would recommend working with a qualified financial advisor prior to making the decision to retire early, just to confirm your decision and help pursue a confident retirement.

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