

# BUILDING BLOCKS FOR RETIREMENT

## Retirement Planning Essentials

### Tiptoeing Into Retirement

You'd like to get your feet wet but you're not quite ready to dive in: That's the idea behind "phased retirement." With phased retirement, you cut back on your work hours and your income. The idea is to ease in to a retirement lifestyle gradually before you actually retire.

Not all employers offer phased retirement. If yours does, consider the option carefully. Phased retirement has potential drawbacks, so test the water before you jump in.



**Struggling in the Income Undertow.** Your first consideration should be financial. Can you comfortably afford to have your income reduced? Determine what other resources you'll need to tap and the impact that might have on your nest egg.

**Rocking the Pension Boat.** If you're covered under a defined benefit plan, your benefits may be calculated under a formula based on a combination of earnings and years of service. Since some plans give more weight to earnings during the last years of employment, reducing hours and salary could reduce your benefits.

**Up the Creek Without a Health Care Paddle.** Working part-time may end your eligibility for employer-sponsored health insurance. That could significantly increase your out-of-pocket costs while you're still working and leave you without group retiree insurance coverage in retirement.

**Sinking Social Security Benefits.** Find out how your phased retirement program will impact the Social Security earnings calculation. And be careful if you start collecting Social Security before your full retirement age. Your benefits will be reduced if you earn more than a certain amount.

**No Life Insurance Lifeboat.** Any life and/or disability insurance coverage you have through your employer may be discontinued if you're not working full-time. Going without that protection potentially could result in financial hardship for your family.

**Profit Sharing Plunge.** If your employer offers a profit sharing plan, working part-time could reduce or eliminate contributions to your account.



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