volume 14, number 1

21st century retirement

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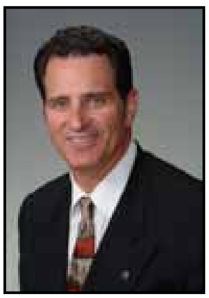

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in this issue:

A Look at 55+ Communities for Independent Living

A house once filled with the constant coming and going of a growing family has become quiet. Family visits are now few and far between. The indoor/outdoor maintenance of a home is getting to be more of a hassle than you had anticipated. If these thoughts seem familiar, it may be time to rethink your living situation as you prepare for your "golden years."

At different stages in life, housing concerns can arise regarding location, landscaping, access to community resources, social interaction, and lifestyle consistency. If you have lived in the same home for many years, it may have provided continuity in your community, and may also be paid for by the time you reach retirement. However, its size and upkeep may have been more appropriate at a time in your life when your children were still at home. You can begin to feel isolated in your family home if the location limits your access to social support systems (particularly if lifelong friends have passed away or moved).

Although housing needs change as we grow older, shelter, in any form, is always more than mere physical comfort. It is a financial, psychological, and social base, which anchors our sense of stability. For this reason, some people who move to warmer climates early on in retirement later return to the familiarity of their original communities and the proximity of family and friends.

Retirement communities, also known as **55+ communities**, have become a viable option to consider for people in similar situations who are looking to downsize their homes. These neighborhoods or complexes, which vary from condominium-style settings to single-family homes, usually require that at least one member of the household be age 55 or older.

This type of community typically offers an independent lifestyle to healthy and active adults who do not require assistance with daily living, as provided at an **assisted living facility (ALF)**. The Housing for Older Persons Act of 1995 eliminated the requirement that these communities have "significant facilities and services designed to meet the physical and social needs of older persons." This legislation has increased the popularity of such communities for people age 55 and over who do not require assistance with the routine activities of daily living.

continued on page four

Reviewing Your Retirement Income Strategies

As you approach retirement, many important decisions await you. If you have a qualified employer-sponsored retirement plan, whether it is a traditional pension or defined contribution plan, such as a 401(k), you will have to decide how to manage the proceeds from the plan once you retire. Your choice may depend on the following considerations: your current financial situation and your projected income requirements; the health and life expectancy of you and your spouse; the anticipated inflation rate; and Federal and state taxes.

Pension Payout Options

If you have a company pension plan, you will need to make some decisions about *how* you wish to receive your pension proceeds when you retire. Generally, you will be given the choice between receiving an income for the rest of your life **(single life option)**, receiving an income for the life of you and your spouse **(joint and survivorship option)**, or receiving a **lump-sum** distribution.

Each option has potential advantages and disadvantages. For instance, a single life option may pay a higher income than a joint and survivorship option. However, if you take the single payout option, income will cease upon your death, but with the joint and survivorship option, payments continue for the life of both you *and* your spouse. With both payout options, you exchange your pension balance for periodic payments.

If you prefer to maintain control over your pension assets during retirement, you might consider taking a lump-sum distribution. You can choose to receive the pension proceeds net of income taxes or roll them over into a **traditional Individual Retirement Account (IRA)**, where they can continue to grow on a tax-deferred basis. Either choice with the lump-sum distribution allows you to actively manage your own retirement assets.

Defined Contribution Plan Proceeds

If you are a participant in an employer-sponsored defined contribution plan, such as a 401(k), you must begin taking required minimum distributions (RMDs) by age 70½. Depending on the rules of your company plan, you may also have the option of taking a lump-sum withdrawal net of income taxes or rolling over the proceeds into an IRA. Either of these options requires you to actively manage your retirement assets, and there may be tax consequences. Therefore, it is important to consult with a qualified tax professional to ensure that your savings decisions are consistent with your objectives.

Shortfall Planning

For many individuals, retirement plan assets and Social Security alone will not meet retirement income needs. Therefore, personal savings are important to long-term success. Before you begin your personal savings program, you may want to maximize your allowable contributions to a tax-advantaged, employer-sponsored retirement plan.

Since there are a number of choices available and decisions to be made regarding the funding and distribution of your retirement income, it is important to regularly re-evaluate your financial strategies for reaching your goals. If you need help deciding which strategies are best for your unique circumstances, speak to a qualified financial professional for specific guidance. Remember, it's never too early to start saving for tomorrow. ■

What Determines Your IRA's Required Minimum Distribution Amount?

If you have savings in a traditional Individual Retirement Account (IRA), you must begin making withdrawals at age 70½. To calculate the amount of a required minimum distribution (RMD), you divide the IRA balance (as of December 31st of the previous year) by the applicable distribution period, or the estimated length of time during which you will take withdrawals from the IRA.

The IRS uses life expectancy tables to approximate the distribution period. Generally, RMDs are calculated according to one table based on the joint life expectancy of the taxpayer and a hypothetical beneficiary who is 10 years younger, even if no beneficiary is named. If the designated beneficiary is a spouse who is more than 10 years younger than the owner, a separate, usually more favorable table (joint life and last survivor expectancy) is used.

continued on page four

Social Security and Your Retirement

Maintaining your desired lifestyle in retirement requires preparation. For most retirees, Social Security provides only a base level of income, even with factoring in periodic cost-of-living adjustments (COLAs) administered by The Social Security Administration (SSA).

Due to inflation, a COLA increase of 3.6% for beneficiaries was recently announced by the SSA to be effective in January 2012. The maximum monthly benefit for a worker retiring at full retirement age (age 66) in 2012 increases to $2,513, up from $2,366, or $30,156 per year, up from $28,392; the benefit for a nonworking spouse is 50% of that amount.

Depending on your circumstances, these benefits may fall short of meeting all of your retirement needs. As you develop a plan that includes additional sources of retirement income, such as an employer-sponsored 401(k) plan and personal savings, it is important to know what you can expect from Social Security.

The major component in determining how much you will receive is the amount you (and your spouse) have contributed to the Social Security system during your working years. The benefits you receive are based on the income you have earned, subject to a maximum amount. To learn more about your future estimated benefit, visit the Social Security website at www.socialsecurity.gov/estimator.

Here is a brief overview of the eligibility requirements that will determine your Social Security retirement benefits:

Your Benefits. If you have made contributions to the Social Security system through working for a number of years, you can start receiving *partial* benefits at age 62 or *full* benefits when you reach full retirement age (subject to certain limitations). Social Security's full retirement age is changing. For those born prior to 1938, the age for receiving full benefits was 65. For those born between 1938 and 1959, full retirement age rises incrementally until, for those born in 1960 and later, the full retirement age is 67. Your benefit is based on your **primary insurance amount (PIA)**, which is determined by the amount and duration of your contributions to the system.

Partial Benefits. You may be eligible to receive partial benefits based on your spouse's contributions to the Social Security system. A spouse, or divorced spouse, of a participant may receive half of the benefits of the working spouse (provided the working spouse is still living), if certain requirements are met. Benefits are based on your spouse's age-65 Social Security benefit, regardless of when benefits begin. If you are eligible, you receive a reduced benefit if taken after age 61 and before age 65. Generally, divorced spouses have to be married to the participant spouse for at least 10 years to be entitled to benefits. In addition, benefits cease for a divorced spouse upon remarriage.

Widow or Widower. You are entitled to a benefit, if you are a widow or widower, that equals your deceased working spouse's PIA when you reach full retirement age. If you start receiving benefits before full retirement age, the benefit is reduced.

Surviving Divorced Spouse. If you are divorced, and your former spouse dies, you may be entitled to the same benefits as a widow or widower, as long as you were married to the deceased working spouse for at least 10 years. If you remarry (including remarriage to someone who is also entitled to receive benefits as a surviving spouse) after you become eligible to receive widow or widower benefits, you do not lose your benefits.

You can find more information on the Social Security website at www.socialsecurity.gov.

Be sure to conduct a thorough assessment of your income resources, including Social Security benefits, so you can better plan for the lifestyle you envision in retirement. If you need assistance, consult a qualified professional for specific guidance.

what determines your IRA's required minimum distribution amount?

continued from page two

If you have more than one IRA, the RMD must be calculated separately for each IRA because different multiples (i.e., life expectancies) may apply to each IRA. The sum of the separate RMDs is the total IRA amount that you must withdraw for the year. However, this amount can be taken out of any one or more IRA accounts.

Under IRS rules, you may postpone your first RMD until April 1st of the year after reaching age 70½.

If the RMD is postponed, the second distribution would still be due by December 31st of that year. For each subsequent year, the RMD must be recalculated. It is important to note that you may withdraw more than the minimum, but failure to take the required amount results in a 50% tax penalty on the shortfall.

Be sure to consult your professional advisors for specific guidance on your unique circumstances.

a look at 55+ communities for independent living

continued from page one

Considerations

Relocation of any kind requires a careful assessment of the possible pros and cons. Before selling your home to move to the newest 55+ community in your area, you may want to look at the following issues:

Security. Retirement communities may offer security that a typical neighborhood would not. Generally, they have security guards at the entrance of the neighborhood or building. With this added protection, you may feel more comfortable in your surroundings.

Recreation. With people living longer, retirement can be an active and fulfilling phase of life. Depending on the size, location, and affordability, some retirement communities offer world class amenities that can include a clubhouse with a sports and billiards room, fitness center, outdoor pool, as well as tennis and bocce courts. Many have a recreation center that organizes an array of group activities for residents, such as movie nights, lectures, day trips, and dinner parties.

Maintenance. Although you may have once considered mowing the lawn and pulling weeds pleasurable pastimes, those same activities may not be as appealing now. Independent living communities typically take care of the landscaping and snow removal, helping residents to enjoy having a yard without maintaining it.

Costs. The services provided by retirement communities come at a cost that must be considered in addition to typical homeowners' expenses. Usually, there are entrance fees and monthly maintenance costs (similar to condo fees), which increase your purchase price and/or monthly bills.

Limited Socialization. While many people consider a 55+ active community's lifestyle an advantage, residents without readily available transportation may view the prospect of being surrounded by the same group of people as socially confining.

Determining where you want to spend your "golden years" is a decision that requires some serious thought. Whether you choose to stay in your home, look into various 55+ independent living communities in your area, or choose to explore other living arrangements, it is important that you plan ahead, and are comfortable with your choice.

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