

Are You Financially Ready to Retire? A True-False Quiz

To assess your financial readiness for retirement, ask yourself how many of the following statements are true for you.

1. I spend less than I earn every month. (This probably means you have no credit card debt and you are saving money beyond what you are investing in the TSP.)
2. I have prepared for the unforeseen cost of future health care expenses. I will maintain adequate health insurance, consider enrollment in Medicare Part B and have set aside funds to cover any unexpected medical expenses.
3. I have determined that my retirement income will be adequate for many years, even with increases in the cost of living. I understand that the rate of inflation has averaged about 2.2 percent per year since 2005 but could be higher. I have factored in cost of living adjustments on my benefits and considered my TSP withdrawal options.
4. I understand that taking a systematic withdrawal from my TSP should not exceed 3 percent to 4 percent of my account balance, so the balance will hold up for a retirement that could last longer than my federal career. For example, if my account balance is \$300,000, then I should plan on withdrawing no more than \$9,000 to \$12,000 per year while keeping the balance invested in an appropriately diversified manner.
5. I have compared my net monthly wages to my net monthly retirement from all sources, including my federal retirement benefit, Social Security and savings in the TSP or other retirement savings plans. (Remember, while there are fewer withholdings from retirement income than from salary, retirement income is far from tax-free. Also retirees continue to pay the employee share of their health insurance premiums.)
6. If I am covered by the Federal Employees Retirement System, I have maximized my savings in the TSP beyond the 5 percent that is matched by my employer. This statement is more important for higher-salaried employees and those who delayed saving for retirement during the early years of their career.
7. I have begun to downsize, rightsize and otherwise simplify my life in preparation for life after retirement. I have maintained my home so there are no major renovations or repairs that will be needed immediately after retirement or I have set aside funds to cover those expenses. I may consider moving to a lower cost of living area or to a less expensive living arrangement.
8. I have considered the cost of family members who might continue to be financially dependent on me, including my adult children, my grandchildren and my parents or in-laws.
9. I have created a vision of my life after retirement that I can afford and am excited about.
10. I have considered the possibility of a second career or part-time employment to fill the gap if my retirement income will not provide adequate replacement income for my federal salary. For some federal employees, phased retirement may be a way to continue working part-time.