

Retirement Planning

HELPFUL HINTS FROM EXPERTS

Six Keys To A Great Early Retirement

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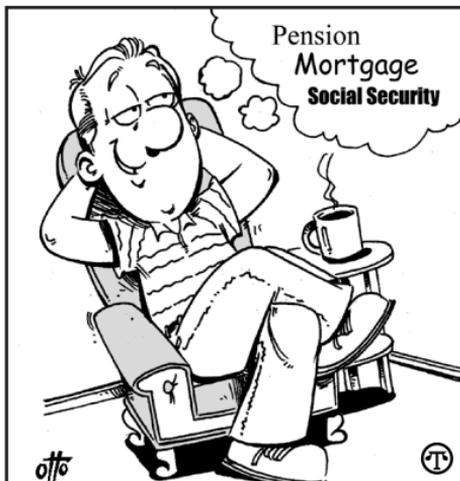
(NAPSA)—Let's assume that your insurance policies are in order and you've got enough money socked away to trade your power suit for some baggy Bermuda shorts. Before you slam that file cabinet drawer and turn in your parking pass, consider these six keys to a great early retirement—you'll have much more fun later on:

1. Pension Payout: Annuity payments are steady, but you may have a sudden need for a large amount of money. If you take a lump sum payment, you're in the driver's seat. Make sure your pension plan deposits your windfall directly into an IRA or you'll get hit with a 30 percent withholding tax.

2. Social Security: Your Social Security payment is based on the average of your best 35 years of work, adjusted for inflation, so if you retire too soon some of those 35 years will be computed as zeros. You can start collecting Social Security at age 62, but you'd get 20 percent less per month retiring at 62 than you would at 65 or later.

3. Inflation: Figure on three percent a year, which means the \$50,000 you think you have to live on will only be worth \$27,189 in 20 years. It's unlikely your expenses will be cut in half in that time.

4. Lose The Mortgage?: The interest you pay on your mortgage is tax-deductible at your regular income tax bracket, so it's probably the best debt you can have.



Start thinking now about how to take your pension, set up Social Security and how you'll spend your time in retirement.

Pay off more expensive debt first, like credit cards or auto loans.

5. The Little Things: Consider the cost of your lifestyle—do you want to travel? Analyze the condition of your home and cars. It's much easier to deal with major repairs if you're still bringing in a paycheck. Emergencies don't stop happening just because you retire.

6. What To Do: What kinds of challenges will give you a sense of personal worth and fulfillment? Some folks are passionate about their hobbies. Others opt for part-time work—perhaps in a whole new field—in order to maintain friendships and collect a little spending money.

For more information on early retirement, visit CNBC on MSN Money at www.money.msn.com, or use the Lifetime Planner within Microsoft Money software.