

## Your Comprehensive Pre-Retirement Checklist

*As you inch closer to retirement, a new phase of life awaits – and making the most of it requires careful planning with a solid financial foundation. In partnership with your advisor, use this checklist as a roadmap as you design your wealth plan to support the lifestyle you've worked so hard to enjoy.*

### CREATE A BUDGET

- ☐ **Designate between six months and a year to track your spending.** This will give you a better idea of your spending habits and allow you to plan accordingly.
- ☐ **Evaluate your basic expenses.** Between housing, transportation, groceries and more, there's a good amount to consider here. Which expenses can you get rid of once you retire, and which ones are necessary to keep? How could inflation affect these expenses in the future?
  - Remember to consider the cost of healthcare, one of the largest expenses in retirement. Deciding what kind of healthcare coverage works best for your situation is vital.
- ☐ **Create a plan for paying off debts.** When you're relying on a fixed income in retirement, debt can weigh differently on your budget. Revisit your debt strategy and decide which lines of credit or loans may be wise to eliminate before you retire.
  - Keep in mind that loans like HELOCs and securities-based lines of credit aren't necessarily negative contributors to your wealth plan, and can even be a valuable source of liquidity in the case of an emergency. Not all debt is bad debt – so consider why you have each type.
- ☐ **Check on your emergency fund.** As you approach retirement, revisit what six months of expenses looks like for you and plan for your emergency fund to match that amount.
- ☐ **Take advantage of new tax planning opportunities.** The transition between retiring from your career and starting to take Social Security or RMDs may temporarily put you in a lower tax bracket than what you're used to. This presents the opportunity to utilize strategies like recognizing capital gains or completing a Roth conversion.

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### IDENTIFY FINANCIAL RESOURCES

- ☐ **Continue contributing to retirement savings.** As you approach retirement, don't let up on your savings. In fact, as you get older, you receive more opportunities to save in the form of catch-up contributions.
  - In the year you turn 50, you can start making catch-up contributions to a tax-advantaged retirement savings account like an IRA or 401(k). Those who are 50 and older in 2025 can contribute up to an additional \$1,000 to an IRA and \$7,500 to a 401(k).
  - New in 2025, an increased catch-up contribution will be allowed for those between the ages of 60 and 63 to use on their 401(k). This "super catch up" amount in 2025 is \$11,250.
- ☐ **Make a comprehensive list of your assets.** In doing so, identify all sources of your retirement income, and when and how you plan to draw from them in retirement.
- ☐ **Talk through your withdrawal rate with your Financial Advisor.** While there is a rule of thumb that an initial withdrawal rate of 4% is what to strive for, everyone's situation is different – so don't rely solely on that generalization. Plus, your RMDs will increase every year, and you'll want to take any life changes into account when budgeting for a specified withdrawal rate.
- ☐ **Consider establishing a new income stream.** Because annuities can provide a lifetime stream of income for both the owner and a surviving spouse, these can be a popular consideration for those nearing retirement. Talk with your Financial Advisor to decide if this is a useful strategy for you.

### ANALYZE YOUR INVESTMENT RISK

- ☐ **Evaluate your investment risk as it relates to your portfolio's asset allocation.** Have a conversation with your advisor so your portfolio aligns with your time horizon and resources in retirement. Your Baird Financial Advisor can be a key resource for developing strategies that are tailored to your current and future needs.
- ☐ **Consider consolidating your accounts,** as this can help you get an even clearer picture of your total portfolio performance, asset allocation, required minimum distributions and cash flow distributions. Consolidation also can help reduce the amount of fees you'd otherwise pay to multiple managers.

### TAKE ADVANTAGE OF SOCIAL SECURITY

- ☐ **Decide when to file.** When it comes to taking your Social Security benefit, you have options on when to begin. It's essential to understand your choices and decide on withdrawal strategies that work for you and your family.
  - Depending on your specific situation, filing as early as age 62 will likely reduce your monthly payment – but if waiting to file until age 67, you'll receive your full benefit. Keep in mind that for every year you delay receiving your benefits past age 67 (up to age 70) your benefit payments increase by 8%.

### PLAN FOR INSURANCE NEEDS

- ☐ **Evaluate your current insurance need and the chance of any changes post-retirement.** Talk with your advisor about coverage options like healthcare, life insurance and long-term care protection. Then, consider how these coverage needs might change – for example, if you plan to sell your home in retirement, you'd no longer need homeowner's insurance.
- ☐ **If you haven't already, consider investing in long-term care insurance.** Long-term care can be costly, so investing in an insurance plan that has predictable premiums can pay off. Plus, the cost of long-term care insurance goes up with age, so it can be more cost-efficient to do this as soon as possible.
- ☐ **Finalize your required medical and dental work and plan for gaps in Medicare coverage.** Medicare doesn't cover everything, so utilize your current healthcare policies to finish up any immediate work you need done. Then, consider using supplemental insurance policies to fill in those gaps once you are on Medicare, like for dental work.

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### REVISIT YOUR ESTATE PLAN

- ☐ **Ensure all your estate planning documents are updated.** As you enter retirement, your lifestyle will likely change. For example, maybe your charitable inclinations will shift once your heirs become more established on their own – be sure your estate planning documents reflect those changes and wishes.
- ☐ **Review your beneficiary designations.** If you're going through milestone life changes like retirement, this is especially important. By proactively working with your advisor on the details of your legacy plan, you help make the process for your heirs easier down the line.

### CONSIDER YOUR NEW LIFESTYLE

- ☐ **Think about how your days will be spent in this new chapter.** Do you plan to do a lot of traveling? Will you be helping to care for an elderly parent or for grandchildren? The answers to all these questions and more will greatly impact how you save, budget and spend in retirement.
- ☐ **Debate whether you plan on moving.** Moving, particularly out of state, can have a large impact on your taxes and therefore influence your liquidation strategy. If moving out of state is in the cards for you, have a conversation with your Financial Advisor about different ways to plan for it.

As you begin to consider these items, remember that planning for the long-term is essential. While you may think your current car, home or even phone is your last, you could still have twenty or thirty years ahead of you. Nothing is for certain – expect change, be flexible and don't make too many permanent decisions.

Plus, don't forget that this journey to retirement isn't one you must take alone. Your Baird Financial Advisor is here to help you stay flexible and keep your options open – and ultimately work to set you up for success in retirement.

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