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Should I accept my employer's early-retirement offer?

The right answer for you will depend on your situation. First of all, don't underestimate the psychological impact of early retirement. The adjustment from full-time work to a more leisurely pace may be difficult. So consider whether you're ready to retire yet. Next, look at what you're being offered. Most early-retirement offers share certain basic features that need to be evaluated. To determine whether your employer's offer is worth taking, you'll want to break it down.

Does the offer include a severance package? If so, how does the package compare with your projected job earnings (including future salary increases and bonuses) if you remain employed? Can you live on that amount (and for how long) without tapping into your retirement savings? If not, is your retirement fund large enough that you can start drawing it down early? Will you be penalized for withdrawing from your retirement savings?

Does the offer include post-retirement medical insurance? If so, make sure it's affordable and provides adequate coverage. Also, since Medicare doesn't start until you're 65, make

sure your employer's coverage lasts until you reach that age. If your employer's offer doesn't include medical insurance, you may have to look into COBRA or a private individual policy.

How will accepting the offer affect your retirement plan benefits? If your employer has a traditional pension plan, leaving the company before normal retirement age (usually 65) may greatly reduce the final payout you receive from the plan. If you participate in a 401(k) plan, what price will you pay for retiring early? You could end up forfeiting employer contributions if you're not fully vested. You'll also be missing out on the opportunity to make additional contributions to the plan.

Finally, will you need to start Social Security benefits early if you accept the offer? For example, at age 62 each monthly benefit check will be 25% to 30% less than it would be at full retirement age (66 to 67, depending on your year of birth). Conversely, you receive a higher payout by delaying the start of benefits past your full retirement age--your benefit would increase by about 8% for each year you delay benefits, up to age 70.

Cartoon: Market Ups and Downs



"I SEE THE MARKET GOING UP AND DOWN...
AND UP... AND DOWN... AND..."