

Dates to save: Planning your financial birthdays

Put these important milestones on your financial-planning calendar

By **Lynn Asinof** Globe Correspondent, November 6, 2011, 1:00 a.m.

If you're the type of person who stopped celebrating your birthday at age 49, you may be missing some important financial milestones. The period between ages 50 and 70 includes several critical birthdays when key financial rules change or important decisions need to be made.

"You have to pay attention because you could be leaving money on the table," says Dana Levit, a fee-only financial planner with Paragon Financial Advisors in Newton. In some case, you could even get hit with penalties.

Some of those birthdays come with reminders. At 50, chances are good that AARP will start soliciting you for membership, and if you qualify for Social Security you'll likely get a reminder just before your 65th birthday to sign up for Medicare. But most of these birthdays arrive unheralded. So here's a quick rundown of the important years that should be on everyone's financial-planning calendar.

50

After your fifth decade, Uncle Sam will let you tuck extra funds into your tax-advantaged retirement plans. You can contribute an extra \$1,000 a year - for a total of \$6,000 - to either your traditional IRA or your Roth IRA. And you can put an additional \$5,500 in your company 401(k) plan. Indexed to inflation, these amounts may be adjusted in future years.

55

If you've been laid off or taken a buyout, you can now take money from your company retirement plan without early withdrawal penalty, as long as you've left the company. That's one reason people separated from their employer may want to keep their retirement money in the company plan, at least until they turn 59.5.

59.5

On this half birthday, you can finally take money out of your tax-advantaged retirement plans without incurring an early withdrawal penalty. That doesn't mean you should, tax advisers say. But these funds are now available without penalty in case of an emergency.

62

You can now claim Social Security. If you do, however, your benefits will be only 75 percent of what you could collect at full retirement age. Deciding when to take benefits is complicated, particularly if both you and your spouse are eligible. You have to balance the income that will be lost by waiting against the hefty increase in annual benefits that comes from holding out until your 66th or perhaps your 70th birthday.

62

In Massachusetts, anyone 62 or older can file for additional homestead protection on their home, doubling to the amount of equity that a couple can protect from creditors to a total of \$1 million. If you've already filed a homestead exemption, you need to re-file to be eligible for the higher levels, says Levit. Each person must file individually when he or she turns 62 in order to qualify.

65

You are now eligible for Medicare, but you have to enroll and the choices can be complicated. Those who don't sign for Medicare B - the basic medical insurance plan - during the three months immediately before or after their 65th can get hit with permanently higher premiums. A good adviser can help navigate the choices both now and during subsequent open enrollment periods, says Christine Fahlund, a senior financial planner with investment management firm T. Rowe Price. "This should be the beginning of an annual review process."

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If you were born between 1943 and 1954, you've now reached "full" retirement age and thus qualify for full Social Security benefits. For those born in subsequent years, full retirement age gradually stretches until it hits 67 for those born in 1960 or later.

70

If you waited to take your Social Security benefits, you now qualify for the maximum annual benefit. That's 32 percent more than your "full benefits" or 76 percent more than your benefit at age 62.

70.5

This half birthday signals the start of annual required minimum distributions from your IRAs and 401(k)s. Calculated on life expectancy and retirement account balances, the first RMD must be taken by the April 1 of the year following this half birthday. If not, there's a whopping 50 percent penalty.

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