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Speaker 1

Welcome, my name is Andrew Baron and this is, "Well... It Depends! The podcast where I address different financial decisions that can't be answered with a simple yes or no. In this episode, I asked a question, am I ready for an early retirement? But before we begin a short disclaimer, this is being recorded on August 1st, 2023. The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment tax or legal advice. It is important to discuss your situation with a professional before making any financial decisions as the strategies discussed may not be suitable for you specifically.

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Speaker 1

Getting into it. Am I ready for an early retirement? Well... It Depends! First and foremost, we all have different visions of what retirement is. For some, it could be a life of leisure, traveling, a second career, or for some it may just be more time spent with the family. In any case, your vision will influence whether you're ready to take this next step. So before anything, the question asked yourself is what does retirement mean to me?

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Speaker 1

The first real consideration is financial readiness. This is more encompassing than just having enough money to quit your job, but making sure that your assets and your income line up to maintain your lifestyle over the long term. Taking into account inflation and rising costs.

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Speaker 1

Another consideration is how much money you'll receive from Social Security. These benefits are age dependent, becoming available at age 62. If you take benefits early, you need to understand that you may reduce the overall benefit you will receive from the program. If you're retiring before benefits become available, you'll need to have a plan to subsidize your cash flow from your own assets.

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Speaker 1

Another critical component are health care costs. In the United States, Medicare becomes available at age 65. So if you think you'll retire before this, you need to have a plan to cover your health care costs. Finally, we have emotional readiness. Have you plan for a change in routine and the social work obligations that come along with it? And are you prepared to remain active and engaged so you have a joyful and fulfilling retirement?

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Speaker 1

To recap. Retirement means different things to different people and you need to assess your readiness for early retirement before taking that next step. Financial readiness means being able to maintain your lifestyle over the long term, taking into consideration inflation and rising costs. If you're looking to retire before claiming Social Security, you'll need to be able to cover the cash flow needs from other sources.

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Speaker 1

Similarly, if you're looking to retire before being able to claim Medicare, you'll need to be prepared to cover your health care costs. Finally, are you emotionally ready to retire? And have you plan to remain engaged in your retirement? So to answer the question, am I ready for an early retirement? Well... It Depends!

Speaker 1: Andrew Baron, CFP®, EA