

Can You Afford to Retire Early?

Historically, most Americans have considered 65 to be their target retirement age. This is likely the result of past Social Security laws, which provided full benefits beginning at age 65.

However, many workers today are retiring at an increasingly earlier age. In just the last few years, for example, the average retirement age has fallen to age 63. And many younger workers are planning to retire even earlier; in fact, according to a recent study by the Employee Benefit Research Institute, more than a third of today's workers plan to retire before age 64.



What You Give Up

An early retirement often comes at a cost. Here are a few of the financial results of early retirement that you must consider carefully:

Not only are Social Security benefits reduced for early retirement, but the age at which full benefits begin is being gradually raised to 67.

Retiring early often happens right at the peak of your earning years, meaning you not only forego that income, but also the resulting saving and investing that would have taken place in these years.

The annual benefit provided by employer-sponsored defined benefit pension plans is usually based on a combination of years of service and your ending salary. Both are reduced by early retirement.

Health care costs tend to increase for retired individuals. Benefits that were once paid for by employer-sponsored coverage often become the responsibility of the retiree.

Consider Your Options Carefully

Choosing when to retire is one of the most important financial decisions you will make. Consider your options carefully. Careful planning can help ensure you a comfortable and financially independent retirement.

1. "2006 Retirement Confidence Survey," Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc.

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