

AI-03641 Pre-Retirement Upgrades Action Items

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The 10 Retirement Upgrades

1. Withdrawal Strategy

Shift from a "savings" mindset to a "spending" mindset. Determine exactly which accounts (IRA, Roth, Taxable) to draw from and in what order to minimize long-term tax damage and manage Medicare premiums.

2. Health Insurance Bridge

If retiring before 65, plan for the gap before Medicare. Analyze the ACA Marketplace versus COBRA. Since Marketplace subsidies are income-dependent, your withdrawal strategy directly impacts your health insurance costs.

3. Lifetime Tax Planning

Move beyond annual tax filing to a multi-decade model. Focus on "bracket filling," Roth conversions, and capital gains harvesting to set a low tax baseline before Required Minimum Distributions (RMDs) kick in at age 73 or 75.

4. Beneficiary Designations

Review all account beneficiaries. These designations override your will. Outdated forms can lead to assets going to ex-spouses, skipping children, or triggering massive, unnecessary tax hits for heirs.

5. Modernize Estate Documents

Ensure your will, trust, power of attorney, and healthcare directives reflect your current financial life, not your life from 15 years ago. Updated documents prevent the courts from making default decisions for you.

6. Right-Sized Insurance

Eliminate outdated coverage like disability or life insurance if they no longer serve a purpose. Conversely, consider "upgrading" to umbrella liability insurance and long-term care planning to protect your accumulated assets.

7. Strategic Cash Reserves

While working, 3–6 months of savings is standard. In retirement, you need a tiered approach:

- **Emergency Fund:** 6–12 months of living expenses.
- **Specific Purchase Fund:** Cash set aside for known big-ticket items (cars, trips, home repairs) so you don't have to sell investments during a market downturn.

8. Actual Spending Awareness

Stop guessing and start tracking. "Rehearse" retirement by tracking real expenses for 3–6 months. Knowing your "real number" prevents unintended spending sprees and helps you avoid over-withdrawing from the wrong accounts.

9. Social Security Analysis

Don't just pick an age based on the monthly check. Analyze how your claiming age interacts with your tax brackets, Roth conversions, and IRMAA surcharges. The goal is to optimize for the best long-term flexibility, not just the biggest check.

10. The Survivor Plan

Model the "widow/widower tax penalty." When a spouse passes, the survivor often loses one Social Security check and must file as a "single" taxpayer, which compresses tax brackets and lowers thresholds for surcharges. Plan for this transition now through tools like Roth conversions.

Why Timing is Everything

The author emphasizes doing these **quietly** and **immediately**. Once you announce your retirement, your calendar will fill with social obligations and family requests. By handling these 10 upgrades first, you ensure you are making decisions with a clear mind and a solid foundation before the "whirlwind" of retirement life begins.