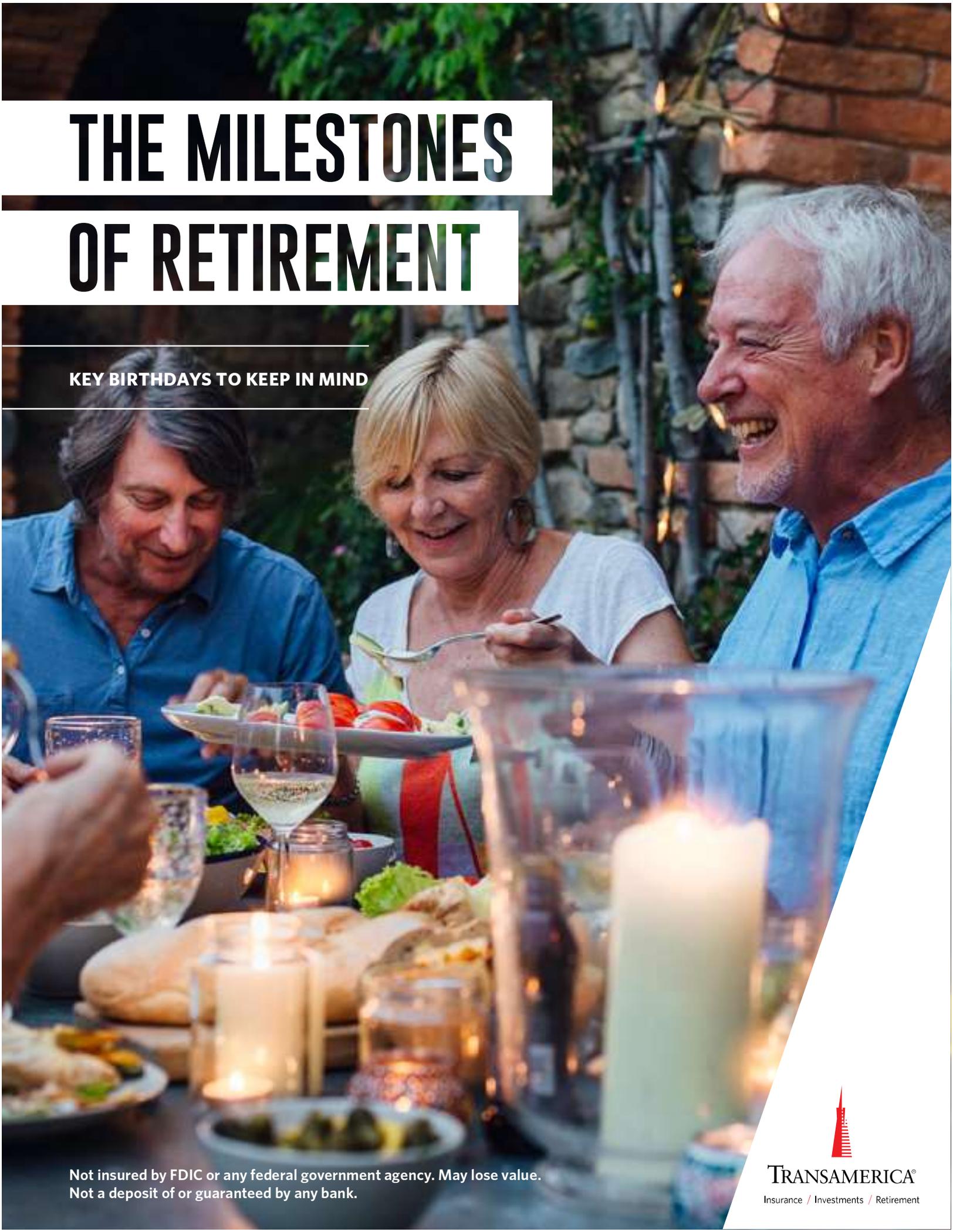


# THE MILESTONES OF RETIREMENT

KEY BIRTHDAYS TO KEEP IN MIND



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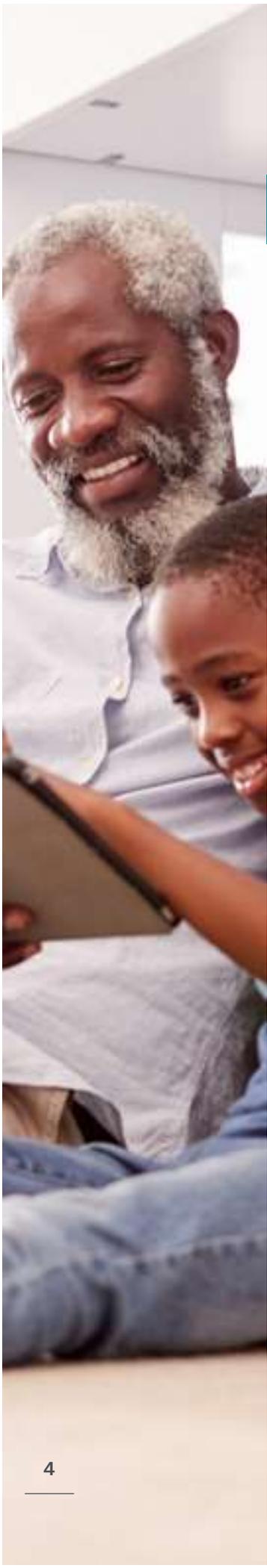
**WISHING YOU  
THE BEST OF  
WEALTH + HEALTH<sup>SM</sup>**

## CELEBRATE EVERY MOMENT

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You can count more than candles each year — there are a number of important financial opportunities on the journey to and through retirement.



## THE PERKS OF GROWING OLDER

Reaching a certain age means new financial opportunities as people prepare and save for retirement.

### 50 years old

- Starting in the year in which someone turns 50 years old, certain retirement accounts allow for a “catch-up” contribution.
- For most individuals age 50 and over, the annual contribution limit for a Traditional or Roth IRA increases from \$6,000 to \$7,000.
- Contribution limits for certain employer-sponsored plans increase. The salary deferral limit for 401(k)s and 403(b)s increases from \$19,500 to \$26,000 for 2021. Anyone participating in a SIMPLE IRA can defer an additional \$3,000 of salary, increasing the annual salary deferral limit from \$13,500 to \$16,500.

**Talking to the plan administrator or employer will help determine how these additional deferral amounts can be accommodated.**

### 55 years old

- Those participating in a Health Savings Account (HSA) at work can make a “catch-up” contribution to their HSA, starting in the year in which they turn 55. For single individuals, annual contribution limits increase from \$3,600 to \$4,600. For families, the limit increases from \$7,200 to \$8,200.
- There’s a special exception for penalty-free distributions from qualified plans at age 55 (ex. 401(k), 403(b), profit sharing plans). Those who separate from service in the year they attain age 55 or any year after can withdraw funds from the plan without a 10% additional tax penalty.

**IRAs do not have a pre-59½ exception for separation from service. Keep this in mind when considering an IRA rollover.**

# 59<sup>1/2</sup> years old

- Age 59½ is the milestone when most retirement accounts can be accessed for any reason without a 10% additional tax penalty. These accounts include IRAs, 401(k)s, 403(b)s, profit sharing plans, other qualified plans, and non-qualified annuities.
- Most qualified plans, such as 401(k)s, 403(b)s, and profit sharing plans, allow for an in-service non-hardship withdrawal at age 59½.

**Those who are still working and looking to diversify by rolling funds from their qualified plan to an IRA may now be able to do so.**



# 60 years old

- For those who have lost a spouse, age 60 is when they become eligible to collect a Social Security survivor's benefit (assuming the deceased was eligible and the survivor did not remarry prior to age 60).
- Survivor's benefits collected prior to Full Retirement Age will be reduced, however, there is no impact on individual benefits. An individual can continue growing his or her own benefit and can switch to it at a later date if it is higher. Keep in mind, any benefits collected prior to Full Retirement Age are subject to the earnings limit and earned income may reduce benefits.

**It's important to evaluate survivor's benefits, individual benefits, and work status when deciding the best claiming strategy.**



# SOCIAL SECURITY, MEDICARE, & RMDS

## What to expect from age 62 to 72.

### 62 years old

- The month following someone's 62<sup>nd</sup> birthday is the month in which he or she first becomes eligible to collect Social Security retirement (individual and/or spousal) benefits. Unless disabled, the individual benefit at age 62 will be 70-75% of the full retirement benefit, depending on year of birth. If eligible, a reduced spousal benefit may also be available. Social Security generally recommends applying for benefits three months prior to the month in which an individual would like them to start.

**Keep in mind, any benefits collected prior to Full Retirement Age are subject to the earnings limit and earned income may reduce benefits.**

### 65 years old

- The month in which someone turns 65 is the month he or she becomes eligible for Medicare. Anyone not collecting Social Security should enroll in Part A three months prior to his or her 65<sup>th</sup> birthday to avoid a gap in health insurance coverage. Most people will be eligible for premium-free Part A coverage.
- Unless covered by an employer-sponsored health plan, an individual must also enroll in Medicare Part B to avoid future penalties.

**Those who continue to work should check with their employer's plan to see how it integrates with Medicare and whether or not they're eligible to opt out of Part B.**

# 66-67

years old

- Full Retirement Age (FRA) for Social Security is based on the year in which someone was born (see chart below). Assuming they've not received a retirement or disability benefit yet, in the month following their attainment of FRA, they're eligible to collect their full retirement benefit. If eligible, a full spousal benefit may be available in place of the individual's benefit if it's a greater amount.

FRA BY YEAR OF BIRTH	
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960+	67



**Social Security generally recommends applying for benefits three months before the month an individual would like them to start.**

# 72\*

years old

- The year in which someone turns 72 is referred to as the "first distribution year" and required minimum distributions (RMDs) from qualified accounts must begin. The IRS allows the first RMD to be postponed until April 1 of the year following the "first distribution year." Subsequent RMDs are due by year end of each year.

**Postponing the first RMD results in the need to take both the first and second RMDs in the same tax year.**

\*Under the old rules, the first distribution year was 70½, which applies to anyone who turned 70½ prior to 2020.



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