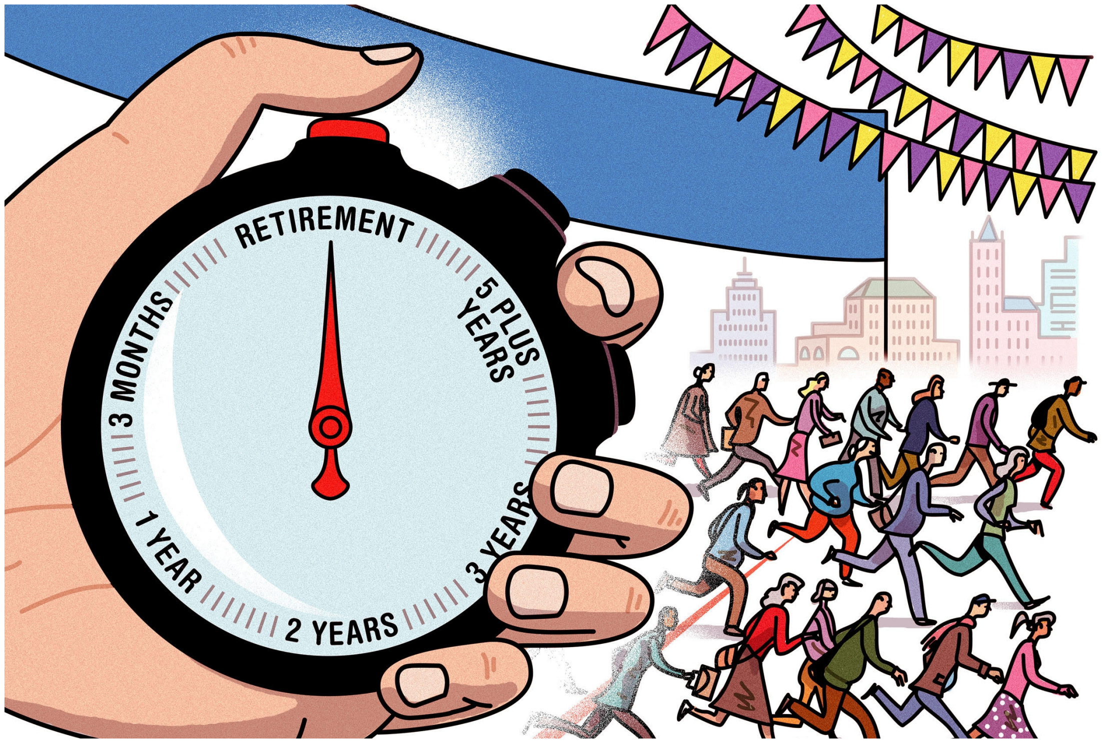
Take these actions beginning in the five years ahead of quitting work for a smooth transition to your post-working career. **By Debbie Carlson**

Getting Ready to Retire? Here's a Planning Guide



The five years before officially quitting full-time employment is the time to finalize your plan for the next stage in life. But knowing what to do, as well as when to do it to maximize any benefit or correct any problem, can be overwhelming for seasoned savers, let alone those who've been spotty in their planning. Here's a checklist to get going.

Five years out

Start building cash reserves, if you haven't already, to tap during market downturns in retirement. Experts suggest savings at least equivalent to a year of expenses.

Take advantage of post-tax savings opportunities in qualified retirement plans.

Ben Soccodato, a certified financial planner at Barnum Financial Group, says employees with access to 401(k) and 403(b) plans can contribute up to $19,500 of pre-tax earnings ($26,000 for people over age 50). Beyond those 2020 contribution levels, post-tax contributions are possible. The Internal Revenue Service allows for a total of $57,000 in contributions between the employee and employer, which bumps up to $63,500 for people over age 50.

Why put post-tax money in a 401(k)? It's another way to fund a Roth IRA, he says, which allows tax-free growth if the money is rolled over. However, making a post-tax 401(k) contributions can be complex, so people should both work with their financial advisor and read through the plan summary or other documents to confirm what their plans allow.

Three years out

Make major purchases while still employed.

John Campbell, senior wealth strategist at U.S. Bank Private Wealth Management, says it sounds counterintuitive, but look to repair or replace expensive goods with long lifespans such roofs or cars ahead of retirement. "The roof needs to be maintained whether you're in retirement or not. It really becomes a cash-flow consideration once you get into retirement on fixed resources," he says.

For those who might want to work part time in retirement or turn hobbies into businesses, look into certification programs or other training now.

Pay off loans from 401(k)s and other qualified plans to avoid carrying debt into retirement and creating a taxable event which qualifies as ordinary income, he says. Loans from 401(k)s need to be repaid within 60 days of leaving an employer. Whatever isn't repaid is considered a retirement distribution and creates a taxable event and if you're not 59½, a penalty, too.

Two years out

Review estate planning if not up to date, including updating wills, reviewing power of attorney, health-care proxies, and beneficiaries.

Decide whether or not to pay off the mortgage and review other debts. For people who have debt, plan to stay in their homes, and aren't concerned about leaving a financial legacy, consider refinancing.

Meet with a financial planner to review tax strategies, firm up retirement cash flow projections, and other financial implications.

Some retirement experts, including Nobel Laureate William Sharpe, say professional advice can be worth the cost even for do-it-yourself types. "When you retire and make your initial decision on buying annuities, investing, and adopting some sort of spending plan, I would think that it would make sense to sit down at least once, at the outset, with a financial advisor," he told *Barron's* recently.

One year out

Confirm all financial resources—pensions, profit sharing, Social Security, and other income.

Pre-retirees should call previous employers to see if they have left behind retirement benefits, says Jackie Cooper, a financial fitness coach and executive director of Financial Education Associates.

Do retirement lifestyle dry run.

Even while earning a paycheck, experts suggest pre-retirees start living on their retirement income to get comfortable with that cash flow. Save any excess cash in liquid assets to build those emergency reserves as needed in a high-yield money-market account or fund, certificates of deposit, or short-term Treasuries.

Begin conversations with human resources for formal transition plans if necessary.

Three months out

Gather copies of all plan documents including qualified plans, health-savings accounts, medical plans and other information before leaving. Those documents are easier to access while still employed.

Confirm with human resources final financial compensation.

That includes getting current information about 401(k), profit sharing and any vested or unvested balances in those plans, Campbell says. Confirm total vacation and sick leave balance and check the company's employment policy to see what unused leave may be cashed in at retirement. If necessary, check with state laws about a company's requirement to pay these balances. Ask about the final paycheck: what pay period does it cover, how much will it be, when will vacation and medical leave balances be paid. Pre-retirees who are moving should give human resources their final mailing address to receive W2 statements and any other correspondence.