

## Age Ranges and Milestone Birthdays Checklist



This is what you need to know for every age range from 20 to 30, to 70 and up, as well as more in-depth for milestone birthdays starting at age 50.

### Ages 20 to 30

- Control your spending.
  - Do not live beyond your means.
- Invest now and often.
  - Motivator: your money doubles every 10 years if you're earning an average annual 7%, so you'll have fewer decades of doubling if you don't get started right away.
- Maximizing Employer-Sponsored Plans.

- If you do not have a 401(k) option at work, contribute to a tax-free Roth IRA, or as a second choice, a tax-deferred IRA. The average match is 4.5% of pay!

## Ages 30 to 40

- Guard against tapping long-term assets for unexpected short-term expenses.
  - Keep enough cash and liquidity on hand to meet at least six months of expenses.
- Pursue growth in your portfolio.
  - Make sure you are broadly diversified across all sectors, with the vast majority of your portfolio in stocks, using low-cost mutual funds and ETF's.
- Buy life and disability insurance.
  - A 35-year-old can buy \$1 million of coverage for under \$500 a year.

## Ages 40 to 50

- Begin thinking of your investments in terms of 3 buckets:
  - Liquidity Bucket: Cash & Cash Equivalents
    - Enough to cover big expenses you expect over the next 2 to 5 years.
  - Longevity Bucket: Retirement Based
    - Do not focus on volatility risk, focus on more relevant risk which is that you won't be able to fund your income needs in retirement.
  - Legacy Bucket: Spillover Assets

- Should be your most aggressively invested bucket.
  - There is plenty of time to make up for inevitable corrections in value.
- Now that you have something to lose you must guard against panic selling and other emotional investing mistakes by making sure your investment risk matches your risk tolerance.

## Ages 50 to 60

- Make catch-up contributions to IRA's or other qualified retirement plans every year until retirement. In 2019 you can contribute an extra \$7,000 for a total of \$25,000.
- Pay close attention to asset location.
  - Make sure tax-inefficient investments are in tax-sheltered accounts.
- Predict future healthcare needs.
  - Consider your family history and general health.

## Ages 60 to 70

- Roll assets out of a 401(k) into an IRA upon retiring if more investment choices are needed.
- Perform partial Roth conversions (Traditional IRA → Roth IRA)
  - Roth withdrawals are tax-free in retirement, while a Traditional IRA is subject to income-tax rates.
- Consider withdrawals from taxable brokerage accounts.
  - Gains are subjected to long-term capital gains.

## Age 70+

- 70 ½
  - You will be required to withdraw minimum distributions (RMD's) from your IRA's and/or employer retirement plan.
- Inform your spouse and other close family members of what you will be leaving behind.
  - Get specific by creating a list of accounts, contacts, advisors, and so on. This financial road map will help your family and allow you to relax.

## Specific Birthdays

- Age 55
  - Take distributions from 401(k) plan without penalty if already retired.
- Age 59 ½
  - Take IRA distributions without penalty.
- Age 62
  - Earliest date to apply for Social Security benefits.
- Age 65
  - Apply for Medicare.
- Age 70 ½
  - As noted previously, you must begin taking RMD's from your IRA's and/or employer retirement plan.

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While this check list can start as a guide, speaking to us is the best way to get your financial life in order. Reach out to us today!

All the Best !

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#### *Disclosures*

*For a comprehensive review of your personal situation, always consult with a tax or legal advisor. Neither Your Best Path Financial Services nor any of its representatives may give legal or tax advice.*

*Limitations and Early Withdrawals: Some IRAs have contribution limitations and tax consequences for early withdrawals. For complete details, consult your tax advisor or attorney.*

*Retirement Plans: Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59 ½, may be subject to an additional 10% IRS tax penalty.*

*Roth IRA: Converting from a traditional IRA to a Roth IRA is a taxable event. A Roth IRA offers tax free withdrawals on taxable contributions. To qualify for the tax-free and penalty-free withdrawal or earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59 ½ or due to death, disability, or a first-time home purchase (up to a \$10,000 lifetime maximum).*

*Depending on state law, Roth IRA distributions may be subject to state taxes.*