2025 Retirement Readiness Guide

Navigate your path to financial freedom.

JOHNSON FINANCIAL GROUP®

Whether retirement is still decades away or right around the corner, Johnson Financial Group is here to help you navigate the complexities of retirement planning with confidence.

Retirement is an exciting chapter of life, full of opportunities to spend time with family and friends, explore passions and find new purpose. But it can cause anxiety if you worry about running out of money and being unable to pay your bills. Here's the good news: A little bit of planning goes a long way.

This guide is designed to help you assess your financial preparedness, identify potential gaps and take proactive steps to ensure a smooth transition into retirement. With the SECURE Act 2.0, there are several ways to make saving for retirement easier and more tax-efficient.

By gaining a clear understanding of your current financial situation, you can take the first step toward achieving your retirement goals. This guide is full of practical tips that can help you and your family make more informed financial decisions.

Connect with your Johnson Financial Group advisor today or fill out our request an appointment form to schedule a conversation with one of our advisors regarding your retirement plan.

This guide covers these top factors that contribute to a fulfilling retirement:

Financial Preparation

Evaluate your financial preparedness for retirement by analyzing your savings, income sources and projected expenses.

1. Set Lifestyle Goals
2. Assess Retirement Income Sources
3. Review Your Budget
4. Manage Your Debt
5. Create an Investment Strategy

Lifestyle and Retirement Goals

Reflect on your retirement goals and aspirations to ensure your financial plan supports the lifestyle you envision.

1. Retire With Purpose
2. Assess Your Financial Needs
3. Social Security and Timing

Risk Assessment

Consider potential risks to your retirement plan, such as market fluctuations or unexpected expenses and develop strategies to mitigate them.

1. Outliving Your Savings
2. Market Risk
3. Rising Health and Medical Expenses
4. Inflation

Legal and Estate Planning

Review your estate plan and legal documents so they accurately reflect your wishes and provide for your loved ones.

1. Understand Estate Planning
2. Compile Key Records
3. Minimize Inheritance Tax Liabilities

Health and Insurance

Ensure you have a comprehensive plan for healthcare coverage and long-term care needs in retirement to protect your financial well-being.

1. Understand Healthcare Coverage
2. Plan for Long-Term Care
3. Set Up a Health Savings Account (HSA)
4. Protect Your Income with Disability Insurance

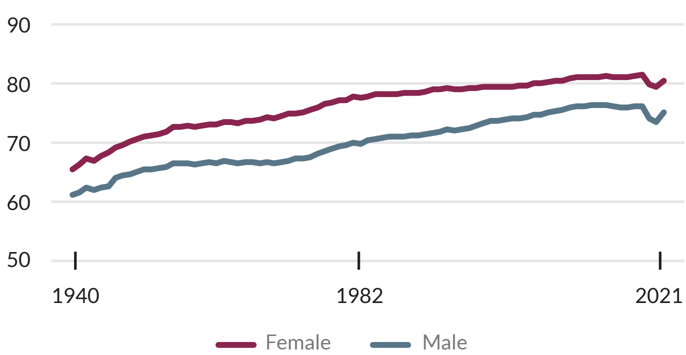
RETIREMENT READINESS TIMELINE

10+ Years Out	5 Years Out	3 Years Out	1 Year Out	In Retirement
☐ Create a growth-oriented diversified portfolio	☐ Set a target retirement date	☐ Review previous planning assumptions and adjust as needed	☐ Update cash flow and funding strategy	☐ Consider downsizing your home
☐ Check your progress	☐ Explore income-producing instruments like annuities	☐ Practice living on your retirement budget	☐ Work with HR to understand your health insurance options in retirement	☐ Reassess retirement goals with spouse/partner
☐ Review current and projected tax liabilities	☐ Align retirement goals with your partner/spouse	☐ Consider making any needed big-ticket purchases now	☐ Review your estate plan with your family	☐ Understand Required Minimum Distribution (RMD) rules
☐ Maximize retirement contributions to take advantage of employer matches	☐ Create a retirement budget	☐ Build your funding plan for retirement	☐ Define your retirement "why"	☐ Learn about Medicare insurance coverage and if you're eligible
☐ Limit and pay off debt	☐ Shift some assets into lower risk investments for short-term spending needs	☐ Review your Social Security strategy	☐ Set an official retirement date	☐ Research long-term care insurance
☐ Take advantage of a health savings account (HSA)	☐ Review spending and make adjustments if needed			

Financial Preparation

From travel to hobbies, retirement is a time to dream big. But let's face it, without a solid financial plan, retirement dreams may not become reality. And with rising life expectancies, your retirement savings will need to last years, even decades.

RISING LIFE EXPECTANCY



Source: https://www.ssa.gov/OACT/TR/2023/lr5a4.html

Unfortunately, over half of Americans are heading into retirement less prepared than they want to be. Even more startling, 44% of adults say they'd struggle to cover an unexpected expense of $1,000.

Successful retirement planning is a multi-pronged approach. For starters, it's important to maximize all available retirement savings vehicles, such as work-based accounts like 401(k)s and 403(b)s, in addition to Individual Retirement Accounts (IRAs) that you invest in on your own. But it's also crucial to work on other fronts. Eliminating debt, building a sound budget and putting in place adequate insurance coverage all come into play to getting yourself retirement ready.

Yet nearly a third of workers don't have any retirement savings at all, highlighting the need for proactive planning.

BUILT TO LAST

Life spans are on the rise, and that means that retirements are longer than ever. At age 65, the average man could live an additional 17.5 years and the average woman 20 years more. If you're a non-smoker in good health, you could be looking at many more years.

Investing your portfolio in growth-oriented funds can ensure that you don't run out of money. Our Retirement Savings Longevity Calculator can help you see how long your money will last.

Here are the top five action steps that will help you financially prepare for retirement.

1. Set Lifestyle Goals

Retirement is like any other journey: To know how to get there, you first need to know where you'd like to end up. Understanding your retirement aspirations not only shapes your financial plans now but also paves the way to a fulfilling post-work life.

- **What are you working toward?**

  Most financial planners suggest that in the first year of retirement, you're likely to spend between 70% and 80% of your pre-retirement income, and each year that number will go up to account for inflation. For instance, if you earn $100,000, plan to spend $70,000 to $80,000 in retirement. But that's just a rule of thumb and may vary depending on your lifestyle and financial obligations. Perhaps you want to celebrate your retirement with a big trip or a new addition to your house. Your income needs may be greater as a result. Alternately, your retirement might coincide with a market downturn, so you'll want to want to build in a buffer for those early years.

- **How will you spend your time?**

  How much money you need in retirement depends largely on what you plan to do. Do you anticipate lots of travel and home renovation projects? Or do you intend to volunteer in your community and spend time locally with family? These retirements are very different and require different amounts of money.

  Of course, it's perfectly understandable if you don't have a clear picture of your retirement lifestyle yet, especially if you're a decade or more away from retirement. However, it's never too early to start contemplating and engaging in conversations with your spouse or partner about your retirement aspirations. By gaining a clear understanding of what you envision for your retirement, you can effectively assess whether your savings are adequate to support that desired lifestyle.

2. Assess Retirement Income Sources

Unlike a paycheck you get from a job or a business, retirement income comes from multiple sources that you cobble together to create one stream. These are the potential sources of income you might be working with:

- Retirement accounts, such 401(k)s, 403(bs), and Individual Retirement Accounts (IRAs)
- Pensions
- Social Security benefits
- Taxable investment accounts
- Additional sources of income such as rental properties or royalties

Our 401(k) Savings Calculator can show you how big your account could grow to by retirement.

- **How big will your retirement paycheck be?**

  You can use Social Security's calculator to see your likely monthly benefit. Your company's HR department can show you projections for your pension benefits if you have one.

  It gets a little more complicated to calculate how much income you can safely withdraw from your nest egg. Based on the 4% rule, you will need a nest egg of about $2 million ($80,000/0.04) to generate retirement income of $80,000. Financial experts have used the 4% rule for decades as a rough estimate of how much money a nest egg can generate, but many caution against relying on it too much. Today's longer life spans and potentially lower stock market returns argue for a more conservative figure. An advisor can help you tailor a retirement savings strategy to your specific goals and circumstances.

- **Don't forget taxes.**

  Remember what they say: It's not how much you make, but how much you keep.

  Certain accounts have different tax rules, and the timing of your withdrawals from each account will make a difference in how much you will owe in taxes. For instance, withdrawals from traditional 401(k)s and IRAs are taxed as ordinary income, but withdrawals from taxable investment accounts may only be taxed at the much lower capital gains rate. Meanwhile, withdrawals from Roth retirement accounts aren't taxed at all. Our article can help you understand the tax implications of different withdrawal strategies.

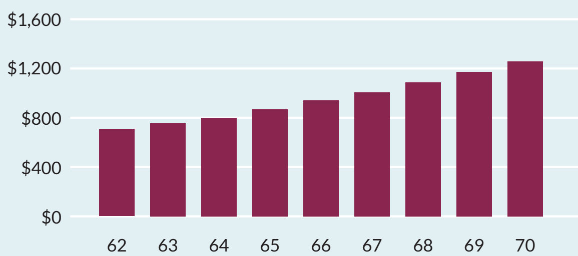
  Keep in mind Required Minimum Distribution (RMD) rules for retirement accounts, which dictate when you must begin making withdrawals. In most instances, you must begin making withdrawals from traditional 401(k)s and IRAs in the year you turn 73. The SECURE Act 2.0 will increase the starting age for RMDs to age 75 over the next 10 years.

  Ask your wealth advisor to connect you with a tax professional to help you maximize your retirement income while minimizing taxes.

62, 67 OR 70: SHOULD YOU PLAY THE SOCIAL SECURITY WAITING GAME?

The earliest you can take Social Security is at age 62, but with a 30% reduction of what you would get by waiting until full retirement age, which for people born after 1960 is 67 years old. You can get an 8% increase each year if you delay from full retirement age to 70.

Assuming a $1,000 a month benefit at full retirement age, this is how much you can expect to at different ages.



Source: ***Bankrate***

Your decision should be based your health, how long you plan to work and your need for income.

3. Review Your Budget

Some individuals can enjoy a fulfilling, comfortable retirement lifestyle on $50,000 a year. However, others may face challenges in managing their expenses and meeting their financial needs on $200,000. Your retirement budget is a function of how much you have saved, your sources of income and your spending habits.

Many people find that they spend significantly less in retirement when they were working, once they no longer have business wardrobe, commuting or workday lunches to pay for.

To create a realistic retirement budget for your desired lifestyle, start by:

- Reviewing your current expenses, including debt
- Accounting for new expenses such as health insurance
- Considering any travel plans, hobbies or financial commitments
- Keeping in mind taxes

4. Manage Your Debt

It's simple math: The more debt you have, the less money you have available for your other financial goals. If you're carrying a heavy debt burden with a high interest rate, it's important to focus on eliminating it before committing money toward retirement savings. It's unlikely that you'll earn enough on your investments to overcome the high interest you're paying on your debt. One caveat: You should invest enough in your company's retirement plan to earn the match.

- **What kind of debt do you have?**

  Not all debt is created equal. Some debt can be considered "good" debt if it helps you achieve other financial goals. For example, a mortgage helps you build home equity and potentially your net worth since homes typically appreciate in value. And the interest is tax-deductible, to boot. A business loan can help you achieve your career goals and increase your net worth.

  But too much high-interest, nondeductible debt — like that on credit cards or car loans — can hold you back and leave you with little money for other financial goals. That's especially true heading into retirement. Your income is likely to be lower in retirement, making it even harder to chip away at your debts.

  To get a handle on your debt, consider these steps:

  - Tackle your highest interest debt first.
  - Create an emergency fund so you can avoid going into debt in the future.
  - Evaluate your mortgage. Making additional payments now can help you wipe out your mortgage before retirement. Find out how much you could shorten your mortgage by with additional payments by using our calculator.

5. Create an Investment Strategy

Along with your own savings, your choice of investments is an important factor that determines how fast your money will grow. Make sure your investment portfolio balances both your retirement goals and your risk tolerance. Make sure to revisit your investment strategy from time to time and make adjustments if it's no longer getting the job done.

Consider making these investment strategies at different stages:

- **20s and 30s:** With decades to go before retirement, you have ample time to recover from any potential losses, making it worthwhile to consider high-growth stocks even if they can be more volatile.
- **40s:** These are likely to be your peak earning years. Boost your retirement savings as much as possible. While high-growth stocks are still important, it's also wise to balance them with investments that offer more stability.

- **50s:** As retirement inches closer, consider gradually shifting toward more conservative investments to safeguard the wealth you've accumulated, while still continuing to invest for growth.
- **60s:** As you prepare to leave the workplace, focus on preserving your accumulated wealth by transitioning a bigger portion of your portfolio into conservative investments. However, it's still important to maintain a sizable position in stocks to guard against inflation.
- **Put it on auto-pilot**

  If you don't feel up to the challenge of making these portfolio moves, target date funds can do it for you. Simply choose a fund whose target-date is closest to your desired retirement date. Instead of picking your investments on your own, fund managers decide the best proportion of stocks and bonds to invest in based on your time horizon. The funds shift these allocations gradually as the target date nears. Target-date funds are widely available in most retirement plans.

Lifestyle and Retirement Goals

Planning for retirement isn't just about financial security. It's also about envisioning the life you want once you've put the 9-to-5 behind. Retirement is an opportunity to pursue passions, explore new interests and spend quality time with loved ones. A clear vision for your post-work life is an essential part of retirement planning.

6. Retire With Purpose

Take time to reflect on the things that bring you joy. What are your hobbies, travel hopes and level of activity? Your retirement planning should be driven in large part by how you plan to spend your time and what the price tag for different activities will be.

People who know their purpose in their post-working years are more likely to have a satisfying retirement.

7. Assess Your Financial Needs

Start assessing your financial needs at least five years before you plan to retire. For example, if you plan to travel for six months of the year, find out how much air travel, hotels and tours will cost to plan your retirement budget. If you plan to spend time with your adult children and their families, find out how much it'll cost to rent a home for an extended visit. With real numbers in hand, you can understand whether or not you can afford the retirement you want or if you'll need to adjust your plans.

8. Social Security and Timing

Understanding the role of Social Security in retirement is crucial for getting the most out of this important benefit. For the average retiree, Social Security makes up about 40% of their pre-retirement income. How large your Social Security check is will be depend on when you decide to start claiming your benefit. While delaying benefits can result in a higher monthly payment, starting earlier may be a better choice for you depending on your circumstances.

Beware of starting your benefit if you're still working, particularly if you're younger than your full retirement age. Depending on how much you earn, your monthly income may be reduced. A wealth advisor can walk you through the different considerations for when to claim your Social Security.

Risk Assessment

Did you have global pandemic on your bingo card of possible retirement risks? The reality is that risks are abound, and you can't always see them coming. Still, a proactive stance can help you manage — and thrive — through them. Here are the top risks retirees need to be aware of and how to guard against them.

1. Outliving Your Savings

Americans are living longer than ever. While most would welcome increased longevity, it also means you'll need money to fund additional years of retirement. What can you do to ensure your savings last?

- **Work longer:** Working just a few years longer can help you save more money, while also delaying your need to tap your nest egg.
- **Part-time work:** Instead of leaving work behind completely, consider taking a part-time job to bring in some income so your money can continue to grow.

DID YOU KNOW?

28% of retirees experience some type of depression, a rate that's substantially higher than the overall adult population.

- **Delay Social Security:** If your health is good and you have other income sources now, you can get a significantly bigger paycheck by waiting on Social Security.
- **Consider an annuity:** A lifetime income annuity provides you with a guaranteed source of income you can't outlive.

2. Market Risk

Your chances of running out of money are much less if you retire during a booming market and your portfolio is up. But what happens if you retire during a market decline?

It's a little-known phenomenon known as "sequence of returns risk." Making withdrawals from your portfolio when it's down forces you to sell more investments to come up with the amount you need. Not only does that drain your portfolio faster, but it leaves you with fewer assets with which to participate in an eventual rebound.

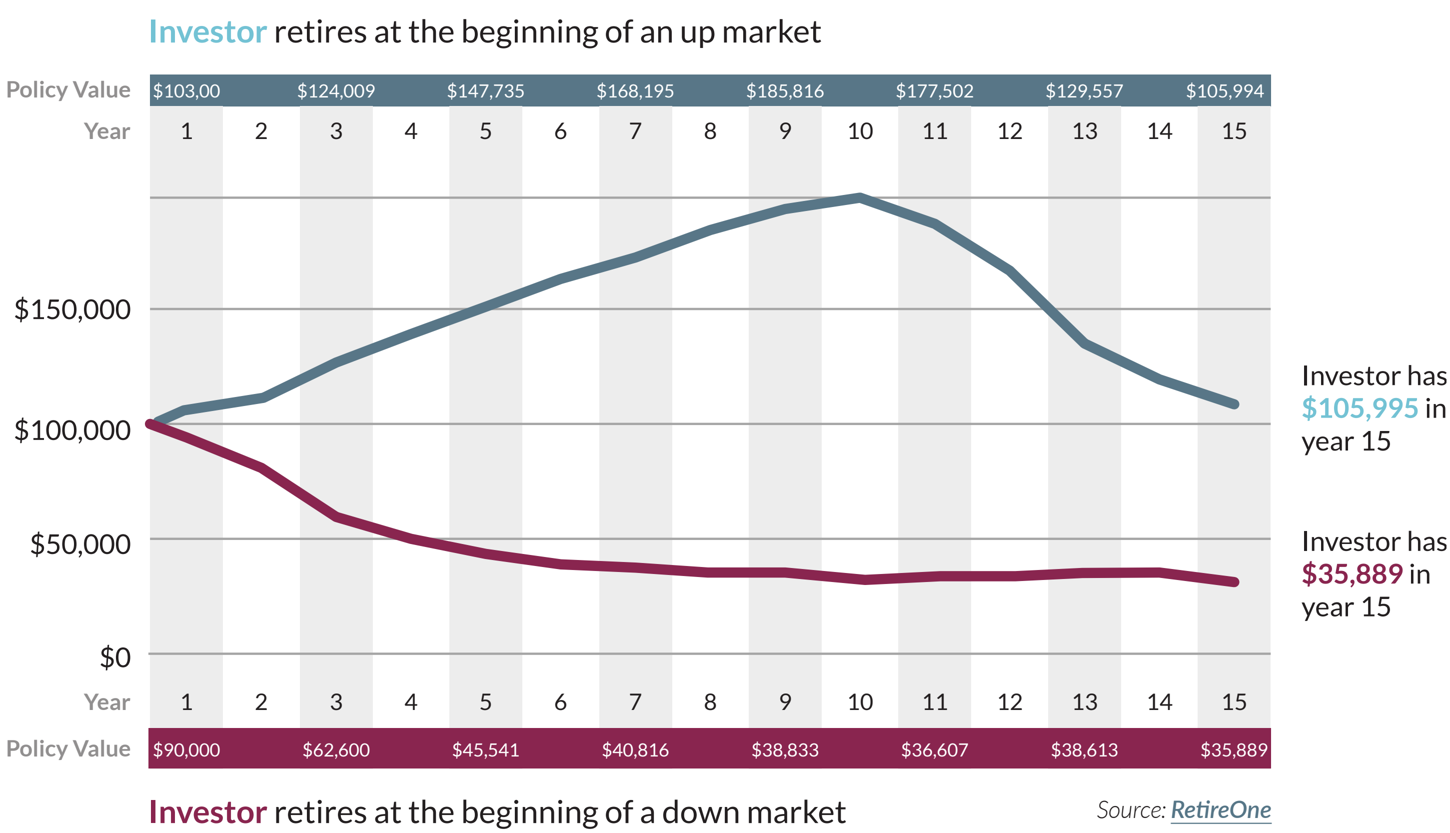
A wealth advisor can work with you in the years leading up to retirement to create a pool of money for your immediate cash needs so you won't need to make withdrawals if the market is down.

The chart below illustrates what can happen to a hypothetical portfolio based on different returns at different points in time.

3. Rising Health and Medical Expenses

Healthcare is one of the biggest retirement expenses, but many people overlook them when planning for retirement. To ensure that health care costs don't overwhelm your retirement, pay attention to these things:

- **Health insurance:** If you retire before age 65, you'll need to line up health insurance coverage. Some options to consider: COBRA through your previous employer, a health exchange plan or a high-deductible plan paired with a health savings account.
- **Medicare:** Medicare won't cover all your healthcare expenses in retirement. In addition to Medicare, which covers some doctors' visits and hospital stays, you'll want to purchase supplemental plans to pay for out-of-pocket costs.
- **Long-term care insurance:** The possibly of needing long-term care is higher than you might think. Long-term care insurance can pay for care when you're no longer able to care for yourself. The earlier you buy it, the more affordable the premiums will be.
- **Health Savings Accounts (HSAs):** You can build up an account for health-related expenses by saving in these tax-advantaged accounts in the years before retirement. (More on HSAs can be found in the **Health and Insurance** section)



Source: RetireOne

DID YOU KNOW?

Healthcare costs are expected to rise about 7.5% in 2025, a near-record trend that is driven by inflationary pressure, prescription drug spending and behavioral health utilization.

3. Inflation

It may seem harmless in small doses, but over time, inflation can erode your purchasing power. Think of it as a silent thief stealing the value of your money. While Social Security has automatic cost-of-living adjustments each year, it's up to you to make sure the rest of your money keeps up with inflation.

These strategies might help:

- **Invest for growth:** Over time, stocks have shown the ability to outpace inflation. Even in retirement, it's important to keep some of your portfolio invested in stocks.
- **Inflation-proof your investments:** Consider inflation in context of your investment selection and work with your financial advisor to adjust based on your situation.
- **Explore annuities:** Some annuities come with payments that increase with inflation, providing a steady income stream that retains its purchasing power over time.

Legal and Estate Planning

After dedicating years to building your wealth and securing your future, make sure your assets are protected and your loved ones are provided for in the years to come. Estate planning isn't just for the elderly or the affluent. It's a crucial step for anyone seeking to maintain control over how their assets will pass to the next generation in the most tax-efficient way possible. A comprehensive estate plan empowers you to shape the distribution of your assets according to your wishes and minimize taxes for your loved ones.

4. Understand Estate Planning

Through estate planning, you can ensure that your assets will pass in the way you intend, minimize taxes and take care of the next generation. Depending on your goals, several tools can help you do that.

- **Protect your loved ones**

  For starters, you need to name beneficiaries on all your bank, brokerage and insurance accounts. These are the people who'll inherit the account when you die. Even if you die without a will, accounts with named beneficiaries will go directly to the people named.

  Consider life insurance, too. For people with young families, life insurance is essential. It can allow your family to maintain their standard of living if you die. Life insurance is also a helpful estate planning tool, too later in life. It can be used to be help your loved ones with:

  - Final expenses
  - Estate taxes
  - Business buyout

  Likewise, disability insurance can be a useful tool for replacing your income if you're unable to work due to an illness or accident. Forty-three percent of 40-year-olds are likely to suffer a long-term disability by the time they reach 65. Disability insurance can help you maintain your financial stability and ensure that your estate planning goals won't get upended by unforeseen circumstances.

- **Do you need a trust?**

  Trusts allow you to maintain control of your assets while you're alive and then transfer them to beneficiaries directly after you die — without the review of a probate court. With a trust, you name a person (the "trustee") to manage the assets in the trust for the benefit of the people you name. And you can direct under what circumstances those assets will pass.

  Trusts come in many varieties, but one of the simplest is a revocable trust. During your lifetime, you can serve as the trustee and make changes while you're alive. It's important to consult with your wealth advisor to understand how to integrate a trust effectively into your overall estate plan.

- **Update your plan regularly**

  Estate planning isn't a set-it-and-forget proposition. Life is unpredictable, and circumstances change. Updating your estate plan regularly will help ensure a seamless transition for your beneficiaries. These are some scenarios that might necessitate an estate planning review:

  - Getting married
  - Having a child
  - Getting a divorce
  - Death of a spouse

5. Compile Key Records

Estate planning is all about dictating how you want to protect yourself and provide for your family. To do that, you'll several legally binding documents, usually by working with an estate planning attorney.

Document	What is it?
Standard will	A basic estate planning document that spells out how you want your property to be distributed when you die. If you die without a will, a court will decide what to do with your assets, and that may not be in line with your wishes.
Power of attorney	Lets you name a person you trust to act on your behalf for financial and legal matters. If you become incapacitated, this person can step in and take care of your finances.
Living will	Allows you to express end-of-life wishes and acts as a guide for your loved ones if you become incapacitated and unable to communicate those wishes yourself.
Health care proxy	A document that lets you name a person you trust to make medical decisions on your behalf if you're unable to make them yourself.

6. Minimize Inheritance Tax Liabilities

Estate planning helps you preserve the value of your assets for your beneficiaries. One significant aspect of this is minimizing the tax burden they might face. Estate planning is a series of strategies that can help you do that.

> In 2025, the annual exclusion for gifts is $19,000, up from $18,000 in 2024.

- **Tax-free gifts**

  One way to reduce the size of your estate — and thus potentially lowering their estate taxes — is by gifting during your lifetime. The IRS allows individuals to gift a certain amount each year without incurring the gift tax. By taking advantage of this annual exclusion, you can gradually transfer wealth to your loved ones tax-free.

- **Trusts**

  Some trusts, such as irrevocable life insurance trusts (ILITs) and charitable remainder trusts (CRTs), can offer tax benefits. ILITs, for example, remove life insurance proceeds from your taxable estate so it can't be taxed. CRTs, meanwhile, provide income tax deductions for charitable contributions.

- **Roth conversions**

  Converting traditional retirement accounts to a Roth can help you reduce future tax liabilities for both you and your beneficiaries. The reason? Withdrawals from Roths are tax-free, but withdrawals from traditional retirement accounts are taxed as ordinary income. While a convert may trigger income taxes in the short run, the tax-free growth and withdrawals can be significantly greater in the future to more than offset the taxes.

- **Charitable giving**

  Charitable donations can serve dual purposes in estate planning by supporting causes you care about while also reducing estate taxes. By leaving assets to qualified charitable organizations, you may be able to get estate tax deductions, ultimately lowering the taxable value of your estate.

  Tax planning can be complex and should be done in consultation with a qualified tax professional or estate planning attorney to ensure compliance with current laws and regulations.

DID YOU KNOW?

Without a comprehensive estate plan, your assets could be subject to probate proceedings, leaving decisions about your estate in the hands of a court.

Health and Insurance

Because retirement planning spans decades, it's important to protect yourself against the things along the way that can go wrong with insurance. One or two accidents or unforeseen issues can scramble even the best-laid plans. Insurance will help you deal with immediate problems and can also safeguard your retirement assets for the future.

Take healthcare. Costs typically rise at about twice the rate of overall inflation, making it a potential risk for retiree finances. The typical 65-year-old retiree can expect to spend $157,500 throughout their retirement for health and medical care. Without adequate insurance, you could easily spend down your resources and risk running out of money. Yet many people underestimate how much healthcare costs and fail to plan for it.

> $157,500: How much the average 65-year retiree can expect to spend on healthcare and medical expenses in retirement.

Here's the good news: A little planning goes a long way. Educate yourself on the different health insurance options you have available and take advantage of tax benefits to boost your healthcare savings.

1. Understand Healthcare Coverage

In most cases, you will no longer have access to your employer's health insurance plan once you retire. Understanding your options post-retirement is essential to accessing the best healthcare you can.

- **Bridging the gap**

  You're first eligible to enroll in Medicare when you turn 65, but what happens if you leave a job before that? You have a few options:

  - **COBRA:** You might be able to continue your existing healthcare coverage from your last job by paying for the entire premium yourself (plus a 2% administrative fee) under the Consolidated Omnibus Budget Reconciliation Act, better known as COBRA.
  - **Healthcare Exchange Plan:** If you lose employer coverage, you may be eligible to buy coverage on a federal or state exchange outside the usual open enrollment period. Find out which plans are available to you.
  - **Consider an HSA:** If you don't meet income eligibility requirements for a plan through the Affordable Care Act, you might need to purchase insurance through a private insurer. Consider a plan tied to a health savings account (HSA), which will likely have lower premiums.

- **Medicare**

  For most retirees, Medicare forms the backbone of their healthcare coverage. But unfortunately, it doesn't pay for everything. Learn what you can about Medicare so you're prepared.

Medicare A, B, Cs (and Ds)

Medicare is an alphabet soup of different programs. Here are the main parts you need to know about.

Parts A and B	Provide inpatient/hospital and outpatient coverage, respectively. Together, Parts A and B are known as Original Medicare.
Part C	Also known as Medicare Advantage plans, Part C plans are all-in-one medical insurance plans offered by private companies that provide Parts A and B coverage, usually Part D and often services that Medicare doesn't cover, like routine dental care, hearing aids and glasses.
Part D	Covers prescription drugs

- **Medicare Supplemental Insurance**

  Sometimes called Medigap, this is extra insurance you can buy from private insurance companies to cover the out-of-pocket costs associated with Medicare, such as deductibles and co-pays. Medigap plans often cost more than Advantage plans, but you won't be restricted to using doctors and hospitals only in network.

DID YOU KNOW?

You could incur a penalty for not enrolling in Medicare during your Initial Enrollment Period, unless you show that you have other health insurance coverage.
The penalty will be added to your monthly premiums when you do enroll.

2. Plan for Long-term Care

The idea of needing long-term care might seem far in the future, but it's much more common than you might think. By some estimates, [70% of adults] who survive to age 65 will require some form of long-term care, although only 48% actually receive paid care.

It's no surprise that many people prefer not to think about it because the costs can be staggering. [According to Genworth Financial], the annual cost for assisted living is $54,000, while a private nursing home room can run as much as $108,000 a year. Use our [Long-Term Care Expense calculator] to get an idea of how much long-term care might cost you.

While those numbers might sound scary, there are ways to deal with them. Consider your options:

- **Long-term care insurance:** This insurance provides coverage for assistance with activities of daily living if you need extended care because of a chronic illness or disability. Premiums for this type of insurance, which are determined by age, health status and coverage amount, can be expensive.
- **Out-of-pocket:** Some people choose to self-insure their long-term care needs if they only require paid care for a short period of time or they have sizable savings.
- **Home equity loan or reverse mortgage:** For many people, home equity is their biggest financial asset. You may be able to leverage that equity to pay for your long-term care needs. With a home equity loan, the bank issues you a loan against the equity in your home and you must begin paying it back immediately. A reverse mortgage, meanwhile, lets you borrow against your home, but you don't need to repay the loan as long as you're living in the home.

  Our [Home Equity Line of Credit calculator] can help you see the amount you might qualify to receive.
- **Medicaid:** If you deplete your assets and need help paying for long-term care, you may be able to turn to Medicaid, the federal program that pays for healthcare expenses for low-income people. Medicare, the health insurance program for people 65 and older, doesn't pay for long-term care. Medicaid is the country's primary long-term care payer, paying for [62% of the country's nursing home residents], according to the nonpartisan health research group KFF.

3. Set Up a Health Savings Account (HSA)

Health savings accounts are a powerful tool to prepare for healthcare costs in retirement. Think of them as a healthcare 401(k) that you can contribute to regularly while you're working that can grow over time. You can use the money in your HSA to pay for medical expenses as you go, or you can continue contributing and saving and wait until you're after 65. At that point, you can use the money without penalty for nonmedical expenses.

DID YOU KNOW?

An elder care attorney can help you arrange your finances and assets to meet Medicaid eligibility requirements while preserving wealth.

To use an HSA, you must be enrolled in a qualified high-deductible healthcare plan. You can contribute up to $4,300 for individuals and $8,550 for families in 2025. These maximum limits are adjusted each year.

- **Triple tax advantage:** Contributions to HSAs are tax-deductible, meaning they can reduce your taxable income. Interest and gains in the accounts grow tax-free. Withdrawals to pay for qualified medical expenses are also tax-free. At age 65, any withdrawals are tax-free.
- **Flexibility and portability:** The funds in an HSA roll over from year to year, allowing you to accumulate savings over time. Plus, the accounts are portable, meaning you can keep your account even if you change jobs or retire, giving you continued access to your healthcare funds.
- **Investment opportunity:** Many HSAs offer the option to invest your contributions in mutual funds or other investment vehicles. With the potential to earn higher returns over time, you can further boost your healthcare savings for retirement.

DID YOU KNOW?

If your spouse is the designated beneficiary of your HSA, they can continue to use the account with the same triple-tax-free treatment even after your death.

4. Protect Your Income With Disability Insurance

Disability insurance, sometimes referred to as disability income insurance, can replace a portion of your income if you suffer an accident or an illness and are unable to work. With income, you can continue to pay your bills and won't have to tap into your retirement nest egg to make ends meet, so your retirement can continue to grow. You can get disability insurance in several ways:

- **Work:** Work-based plans typically cover disabilities lasting three to six months. Long-term policies may be offered through your employer as a voluntary benefit and are designed to cover disabilities lasting a year or longer. Policies you purchase through work can only be used while you work for that employer.
- **Individual:** Policies you purchase on your own are portable. You can use them to replace your income from any employer as long as you continue paying the premium.
- **Social Security:** If your disability is expected to last at least a year, you may be eligible for monthly benefits for disability through Social Security. Benefits are based on your past earnings. To be eligible, you must have worked in jobs where you paid into the Social Security system.

Let's Start a Conversation Today

Retirement is an exciting chapter in life, offering countless opportunities for personal fulfillment and quality time with loved ones. However, concerns about financial security can create anxiety and keep you up at night. The good news is that with a little bit of planning, you can pave the way for a smooth transition into retirement.

WE ARE HERE TO HELP.

Connect with your Johnson Financial Group advisor today or fill out our request an appointment form to schedule a conversation with one of our advisors regarding your retirement plan.

JOHNSON FINANCIAL GROUP®