Getting Retirement-Ready: 5 Steps to Take If You're Retiring Within Five Years

Many of the best investing moves happen without much effort—like automatic payroll deductions and 401(k) contributions. Just set it and forget it. In fact, automation has been one of the most powerful tools in helping Americans build wealth.

But not every part of retirement planning works on autopilot.

When you're approaching retirement—especially within that crucial five-year window—it's time to take a more hands-on approach. You're shifting from the saving phase to the spending phase. And that transition comes with a lot of moving parts: Social Security, taxes, investments, healthcare, even the emotional shift from full-time work to full-time freedom.

According to Christine Benz, Morningstar's Director of Personal Finance and Retirement Planning, the key is to be **proactive**. "Visualize what you want your retirement to look like while you still have enough time to make adjustments," she advises.

That doesn't mean you need to overhaul your plan. But it *does* mean paying closer attention, asking the right questions, and making smart decisions while you still have time on your side.

If you plan to retire in the next five years, here are five steps to help you get there with confidence.

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1. Consider the Role of Work in Retirement

Let's start with something a little unexpected: **Will you work in retirement?**

For some, the answer is a hard no. You've put in your time, and you're ready to relax. But for others, work might still play a role—just on your own terms.

That could mean part-time consulting, starting a small business, picking up seasonal work, or volunteering with a cause you care about. Sometimes it's about passion; other times it's about keeping structure in your day or earning a little extra income.

But here's the caution: **Don't build your entire retirement plan around the idea that you *will* work.**

Life happens. You may run into health issues, job market challenges, or caregiving responsibilities that make working difficult or impossible. According to a study from the Employee Benefit Research Institute, nearly half of retirees leave the workforce earlier than expected—and not always by choice.

So instead of counting on retirement work as a necessity, treat it as a **nice-to-have**. If it happens, great—it gives you extra flexibility. But your retirement plan should work even if you don't earn another dime.

Tip: If you *do* plan to work, consider how it might affect things like your Social Security benefits or tax bracket—especially if you're claiming early.

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2. Track Your Spending (Today and Tomorrow)

This step is simple in theory—but incredibly important in practice.

You need to know what your retirement lifestyle will cost. And that starts with understanding what you spend today.

The easiest way to get started? Look back over the last few months of bank and credit card statements and categorize your spending: housing, groceries, travel, entertainment, insurance, healthcare, gifts, etc. You don't have to get it perfect—but aim for accuracy over idealism.

Now ask yourself:

- Which of these expenses will continue in retirement?
- Which might go away (commuting, work clothes, FICA taxes)?
- Which might increase (healthcare, travel, hobbies, helping family)?

Retirement doesn't always mean spending less. In fact, the early years of retirement often come with **more** travel, entertainment, and "bucket list" spending. That's why this step is so valuable—it helps you project a retirement budget based on your real habits and priorities, not just averages.

Once you have that target monthly number, you can start to reverse-engineer your income plan: Where will the money come from? Will it be enough? If not, you still have time to adjust—whether that means saving more, working longer, or trimming certain expenses.

Tip: Apps like Mint, Monarch, or YNAB (You Need a Budget) can help automate and visualize your spending patterns.

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3. Check Up on Social Security

For most Americans, Social Security is a key piece of the retirement income puzzle. But surprisingly few people take time to understand how it actually works.

Now's the time to change that.

Start by creating an account at **SSA.gov**. You can:

- Verify your earnings history (which impacts your benefit)
- See your estimated benefits at different claiming ages
- Use their calculators to model different scenarios

Here's the big idea: **The longer you wait to claim, the more you'll receive.**
You can start collecting as early as age 62, but doing so comes with a permanent reduction. Full retirement age (FRA) is typically around 67, and delaying until 70 can boost your monthly benefit by 24–32% compared to claiming early.

But this isn't a one-size-fits-all decision. You'll want to consider:

- Your health and life expectancy
- Your spouse's benefit (and survivor benefit)
- Other sources of income
- Whether you'll still be working

A good financial planner can help you model different Social Security claiming strategies and show how each one impacts your overall plan.

Tip: Double-check your reported income history at SSA.gov. Mistakes happen—and the earlier you catch them, the easier they are to fix.

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4. Assess Your Current Retirement Savings

At this point, you know how much you'll need to spend in retirement, and you have a rough idea of what Social Security will provide. Now it's time to look at your nest egg and ask the key question:

Can my portfolio cover the rest?

Here's a simple way to estimate:

1. Take your annual retirement spending goal.
2. Subtract your annual Social Security income.
3. The remaining amount is what you'll need from your savings.

Now divide that number by the value of your retirement portfolio (IRAs, 401(k)s, brokerage accounts, etc.). This gives you a rough withdrawal rate.

For example:

- You plan to spend $80,000/year
- Social Security will provide $30,000/year
- That leaves $50,000 needed from savings
- Your portfolio is $1.2 million
- $50,000 ÷ $1.2M = 4.2% withdrawal rate

That's a little above the traditional "4% rule"—a general guideline suggesting you can withdraw 4% of your portfolio in the first year of retirement, adjusted for inflation, and have a good chance of not running out of money over 30 years.

If your rate is higher than 4–5%, you may want to:

- Save more in the next few years
- Push back your retirement date slightly
- Spend less (especially in the early years)
- Optimize taxes or investment strategy

It's not about chasing a perfect number. It's about creating a retirement that's sustainable and flexible—so you don't have to worry about running out of money in your 80s or 90s.

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5. Derisk Your Portfolio Without Killing Growth

As you move closer to retirement, protecting what you've built becomes just as important as growing it.

This is where **asset allocation** comes in.

You don't want to be too aggressive—because a big stock market drop right when you retire can derail your whole plan. But you also don't want to be too conservative—because your money still needs to grow to keep up with inflation and support decades of retirement.

The sweet spot is usually somewhere in the middle: a **balanced mix of stocks, bonds, and cash** that's aligned with your risk tolerance, income needs, and time horizon.

One strategy many retirees use is the **bucket approach**:

- **Bucket 1:** 1–2 years of cash for near-term expenses
- **Bucket 2:** 3–7 years in conservative bonds or fixed income
- **Bucket 3:** Long-term growth in a diversified stock portfolio

That way, if the market dips, you can pull from your cash or bonds instead of selling stocks at a loss. And when markets recover, you can replenish your buckets without panic.

Tip: A portfolio review with a **CERTIFIED FINANCIAL PLANNER™** can help you fine-tune your allocation and make sure it supports your retirement income strategy.

Planning Today Means Freedom Tomorrow

Retirement is one of the biggest financial (and emotional) transitions you'll ever make. And the five years leading up to it are your opportunity to make sure everything is lined up just right.

The key is to take small, intentional steps now:

- Get honest about your spending
- Understand your income sources
- Stress test your portfolio
- Check your assumptions
- And most importantly, create a vision for what you want your retirement *to feel like*

With a clear plan and a trusted advisor by your side, you can trade worry for confidence—and start looking forward to a retirement that truly works for you.

Thinking about retirement? Let's talk.
If you're within five years of retirement, now is the perfect time for a strategy session. We'll

help you clarify your goals, run the numbers, and build a plan that gives you peace of mind and flexibility.

By thinking about retirement preemptively, you’ll have a better sense of when you want to retire and what you want it to be like. Plus, you can make any course corrections needed to make it happen.