



# (AGES 65-72)

## Retirement Penalties & Risks to Be Aware of

### Are you planning on retiring between ages 65-72?

If so, there are several important considerations... Below is a table of penalties and risks you should be aware of if you decide to retire within this age range.

We list what you should be aware of, why it's important, with pertinent topical notes for 2026.

<b>#1) Tax &amp; Retirement Account Penalties</b>		
<b>What It Is</b>	<b>Why It's Important</b>	<b>2026 Notes</b>
<b>Last Roth Conversion Window</b>	RMDs begin at 73; convert before to reduce future taxable income	Ages 65-72 ideal for conversions. Manage IRMAA impact carefully
<b>No RMDs Yet</b>	Not required to take distributions until 73	Can let accounts grow tax-deferred. Strategic withdrawal flexibility
<b>QCDs Available (70½+)</b>	Direct IRA-to-charity transfers reduce taxable income	2026: Up to \$105,000/year. Satisfies future RMDs. Must be 70½+
<b>Tax Bracket Management</b>	Control income to stay in lower brackets and reduce IRMAA	Balance withdrawals, Roth conversions, and Social Security timing

<b>#2) Social Security Optimization</b>		
<b>What It Is</b>	<b>Why It's Important</b>	<b>2026 Notes</b>
<b>Claiming at 65-66</b>	Still reduced from Full Retirement Age	65: ~13.3% reduction. 66: ~6.7% reduction. FRA is 67 for those born 1960+
<b>Full Retirement Age (67)</b>	Age when you receive 100% of your benefit	No reduction, no delayed credits. Earnings test no longer applies
<b>Delayed Credits (68-70)</b>	Each year past FRA adds 8% to benefit	68: 108%. 69: 116%. 70: 124%. No benefit to waiting past 70
<b>Spousal Timing Strategy</b>	Coordination between spouses maximizes lifetime benefits	Lower earner may claim early; higher earner delays to maximize survivor benefit
<b>Spousal Benefit</b>	If both spouses are retired, the lower income earner may receive ½ of the higher earner's benefits	Determined by FRA benefits

### #3) Healthcare & Medicare Costs

What It Is	Why It's Important	2026 Notes
<b>Initial Enrollment Period</b>	7-month window around 65th birthday to enroll in Medicare	3 months before + birth month + 3 months after. Miss it = penalties + coverage gaps
<b>Part B Premium</b>	Required monthly premium for outpatient/doctor coverage	2026: \$202.90/month standard. Higher earners pay \$284.10-\$689.90
<b>Part B Late Penalty</b>	10% added per year you delayed without creditable coverage	Penalty is permanent. Adds to premium for life
<b>Part D Late Penalty</b>	1% of base premium × months without creditable drug coverage	2026 base: \$38.99. Penalty is permanent and recalculated annually
<b>IRMAA Surcharges</b>	High income years trigger surcharges 2 years later based on MAGI from 2024 for 2026 premiums	2026: Single >\$109k / Joint >\$218k = surcharges. Part B Premium: \$202.90 standard. IRMAA adds \$81.20-\$487.00 for higher incomes
<b>Part B Deductible</b>	Annual deductible before Medicare pays 80%	2026: \$283/year

### #4) Healthcare Transition Risks

What It Is	Why It's Important	2026 Notes
<b>Medigap Timing</b>	Best rates during 6-month open enrollment at 65	After this window, insurers can deny or charge more based on health
<b>Employer vs. Medicare</b>	If still working with employer coverage, coordination rules apply	Employer size matters: <20 employees = Medicare primary. 20+ = employer primary
<b>HSA Contrib. End</b>	Cannot contribute to HSA once enrolled in any Medicare part	Stop contributions 6 months before Medicare if retroactive Part A applies
<b>Coverage Gaps</b>	Choosing wrong plans can leave costly gaps	Part A + B alone has no out-of-pocket max. Add Medigap or Advantage

### #5) Portfolio & Withdrawal Strategy

What It Is	Why It's Important	2026 Notes
<b>25-30 Year Horizon</b>	Portfolio must still last 25-30 years at 65	65-year-old has ~50% chance to reach 87+. Don't underestimate
<b>Withdrawal Sequencing</b>	Order of withdrawals affects lifetime taxes	Generally: taxable first, then tax-deferred, then Roth last
<b>Pre-RMD Drawdown</b>	Reduce tax-deferred balances before mandatory distributions	Lower future RMDs = lower taxes and IRMAA
<b>Allocation Shift</b>	May need more conservative allocation as horizon shortens	Balance growth needs with sequence risk protection

## #6) Employment & Income Considerations

What It Is	Why It's Important	2026 Notes
<b>No Earnings Test at FRA+</b>	At 67+, can earn unlimited income without SS reduction	Before FRA, earnings over \$23,400 reduce benefits
<b>Employer Coverage</b>	May keep employer plan or switch to Medicare	Compare costs carefully. Some employer plans require Medicare enrollment
<b>Catch-Up Ends</b>	Super catch-up (60-63) no longer available	Ages 65-72: Standard \$8,000 catch-up on 401(k). IRA: \$1,100 catch-up. Max \$8,600
<b>Consulting/ Part-Time</b>	Can supplement retirement without SS penalty at FRA+	Income still taxable and affects IRMAA 2 years later

## #7) Insurance & Protection Loss

What It Is	Why It's Important	2026 Notes
<b>Long-Term Care</b>	Individual LTC increasingly expensive/unavailable after 65	Premiums rise sharply with age. Hybrid policies an alternative
<b>Life Insurance Need</b>	May decrease. Assets grow, dependents age	Review if still needed. Term may expire; permanent is costly
<b>Medicare Supplement</b>	Original Medicare has no out-of-pocket maximum	Medigap or Advantage essential. Plan F/G most comprehensive

## #8) Estate & Legacy Impact

What It Is	Why It's Important	2026 Notes
<b>Roth Conversions for Heirs</b>	Converting now = tax-free inheritance for beneficiaries	Heirs must empty inherited IRAs in 10 years. Roth avoids their tax hit
<b>Beneficiary Updates</b>	Life changes require beneficiary review	Divorce, death, births. Check all accounts, insurance, POD/TOD designations
<b>Required Documents</b>	Essential legal documents should be current	Will, POA, healthcare proxy, HIPAA authorization. Review every 3-5 years

## #9) Behavioral & Psychological Risks

What It Is	Why It's Important	2026 Notes
<b>Longevity Risk</b>	Planning for 85 but living to 95	~50% chance to reach 87+. Plan longer
<b>Medicare</b>	Decision paralysis on Medicare	Use SHIP counselors ( <i>free</i> ). Decisions have long-term impact
<b>Overconfidence</b>	Assuming healthcare is "covered" now	Medicare covers ~80%. Out-of-pocket costs still significant
<b>Cognitive Decline</b>	Ability to manage finances may diminish	Simplify accounts. Establish trusted contact with advisors



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feel free to reach out to our team.

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