

# Evaluating an Early Retirement Offer

You weren't really planning to retire just yet, but your employer, in an effort to streamline operations, has made an offer you're not sure you should refuse. How can you evaluate the offer and be sure you're making the right decision?

The bottom line, of course, is financial. If you retire now, will you have enough income to live comfortably through all the years that lie ahead? Have you had enough time to accumulate resources and can you cover the longer pay-out period that will result if you retire now instead of waiting until age 65?

The following steps may help you find the right answer:

First, work on a detailed expense budget. Try not to overlook anything. For example, will you have to continue mortgage payments in retirement? Are those payments fixed? Can they be budgeted, or will you face the uncertainty of an adjustable rate mortgage as your income is curtailed? Will you need a new car in the next few years? A new roof on your house? Do you still have children to put through college?

Determine exactly what your income will be, from all sources. You'll probably need 75 to 80 percent of your pre-retirement income to live comfortably in retirement. How much of that income can you expect from your company

pension? From your own resources? Remember, Social Security retirement benefits won't start until you reach age 62. Will your company offset this loss of Social Security until then as part of the incentive package? Will it offer an additional bonus for taking early retirement?

Look at your health insurance and, bearing in mind that health care costs can eat up a major portion of a retiree's budget, find out if your employer will continue your health insurance into retirement. Assuming that this is part of the incentive package, try to find out if the company will continue to fund premiums as costs go up. The answer to this question may depend on the company's stability both now and into the future, but you should be prepared to buy health insurance on your own if you won't be covered by your employer. You can't afford to be uninsured in the years before you become eligible for Medicare. Medicare covers only about 40 percent of health care costs for the elderly, so you will probably want supplemental insurance.

A careful analysis of these three areas should help you decide whether or not to accept an early retirement offer. But this is not the time for rose-colored glasses. Be realistic. Inflation, even at moderate levels, takes its toll on retirement income. The earlier you retire, the more money you'll need.