Advice for People Retiring in 2014

How to make sure you will be ready to retire next year

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The oldest baby boomers will turn 68 in 2014. Some boomers are already retired, and many others will join them in the coming year. Here are some tips for people planning to retire in 2014:

Revisit your asset allocation. It's important to dial down the risk in your investment portfolio as you approach retirement, but you also need to ensure your portfolio will keep up with inflation over what could be several decades of retirement. "As you approach retirement, it makes sense to scale back some of the risk in the portfolio," says Susan Strasbaugh, a certified financial planner and principal of Strasbaugh Financial Advisory in Colorado Springs, Colo. "When you are talking about a 30-year retirement period, you don't need everything really conservatively invested because you still need growth to stay ahead of inflation." Strasbaugh recommends investing a portion of your assets in cash or short-term bonds, while investing some of your longer-term money more aggressively.

[See: The Best Places to Retire for Longevity.]

Stress-test your retirement finances. Take a look at the worst-case scenario for your investments, and consider whether you will be able to pay for all of your retirement necessities if that happens. "If you can financially afford to absorb a loss like we have seen in the past and still have enough income, that is going to be the most comforting thing," says Greg Phelps, a certified financial planner and president of Redrock Wealth Management in Las Vegas. "If a loss of 25 percent would cause you perilous harm, then you need to go back to the drawing board."

Simplify your investments. Unless you plan to make managing a complicated investment portfolio one of your retirement hobbies, it will save time if you simplify what you are invested in and how many accounts you have. "It's very useful to consolidate your accounts," says Jerrold Grecu, a certified financial planner and president of Grecu Capital Management in Roseville, Calif. "If you have accounts at a variety of different institutions, it's much more difficult to manage statements."

[See: 12 Ways to Increase Your Social Security Payments.]

Carefully consider when to claim Social Security. You don't necessarily need to sign up for Social Security in the same year you retire. Social Security payments increase for each year you delay claiming up until age 70. "Generally, the longer you can put claiming Social Security off, the better you are," Phelps says. "Even if you are pulling money out of a taxable account or an IRA account more heavily in the earlier years, if you can put off Social Security until age 70, your finances end up much stronger at age 90."

Sign up for Medicare on time. You can first sign up for Medicare during the seven-month window surrounding your 65th birthday. If you fail to sign up during that period (or within eight months of leaving group health coverage connected to your or your spouse's job), your monthly Medicare Part B premiums will increase by 10 percent for each 12-month period you were eligible for Medicare but didn't sign up. There can also be penalties if you don't enroll in Medicare Part D and Medigap plans when you are first eligible to do so. "If you are approaching Medicare age, it's really important to find out what your [Medicare] benefit will be and to look at Medigap policies because Medicare doesn't cover everything," Strasbaugh says. "If you don't sign up upfront, there's quite large penalties to get a policy later."

Avoid health insurance gaps. If you plan to retire before age 65, consider how you will find and pay for health insurance before you qualify for Medicare. "It's not necessary that you wait until Medicare age to retire, but it's extremely important to look at the cost if you do retire before then," Strasbaugh says. "A lot of people who were insured through an employer are shocked at the cost."

[Read: 10 Ways to Make the Most of Medicare.]

Remember to take RMDs from retirement accounts. Distributions from traditional 401(k)s and IRAs are required after age 70 1/2, and income tax is due on each withdrawal. The distribution amount is generally calculated by dividing the account balance by an IRS estimate of your life expectancy. If you miss a distribution, the penalty is 50 percent of the amount that should have been withdrawn.

Consider a gradual transition into retirement. Consider cutting back your hours or shifting to part-time work before you retire completely. This will give you a boost in leisure time while also bringing in some income. "It's really difficult to go from working 60 hours a week to nothing. Consider semi-retirement or a 30-hour-a-week schedule," Strasbaugh says. "It's important for people to think about what else they are going to do with their time." Strasbaugh often asks her clients to write down what their ideal week in retirement will look like.

Decide how you will spend your time. Whether you want to travel, volunteer or relax, consider how you will fill your days in retirement. "Many people spend more than they expected because they underestimate costs like travel and hobbies, and many of them pick up new hobbies," Grecu says. "Carefully consider how your expenses might change in retirement."

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