

Retirement Ready

A Practical Course for People Who Feel Behind

Before You Begin

If you picked this up, there is a good chance you have been putting this off for a while.

Maybe a few years. Maybe longer. You kept meaning to sort it out, but life had other plans. The mortgage. The kids. The job change. The general busyness of being an adult with too much already on your plate.

At some point, retirement quietly shifted from something you would handle later to something you were probably failing at. And now there is this low hum of worry in the background, especially when someone mentions their investment account at a dinner party, or you do the quick mental math and it does not add up the way you hoped.

That feeling is one of the most common financial experiences among people in their 40s and 50s right now. It does not mean you have made catastrophic mistakes. It does not mean your future is ruined.

It just means you are ready to finally look at it. And that is the most important step there is.

This course will walk you through everything that actually matters, one step at a time, in plain language. By the end, you will know where you stand, what your realistic target looks like, and exactly what to do next.

Not eventually. Now.

The Honest Reality

Why most people feel behind, and why it is probably not as bad as you fear

The Story Running in Your Head

When you have been avoiding a financial topic for years, your brain fills in the gaps with something close to the worst-case version of the story.

You picture running out of money in your late 60s. Working until your body gives out. Depending on your kids. Living on nothing but Social Security and regret.

It feels very real. But it is usually not accurate.

For most people, there is a significant gap between the feared version of their situation and what is actually true. There may well be work to do. But catching up is a very different thing from being beyond hope, and the two tend to feel identical when you have been avoiding the subject for long enough.

The story in your head is what has been keeping you stuck. The facts are what you can actually work with. This course is about replacing one with the other.

Why This Generation Feels So Underprepared

There is a specific reason people in their 40s and 50s today feel more uncertain about retirement than their parents did, and it goes beyond individual choices.

For most of the 20th century, a large portion of American workers could count on a pension. You worked for a company or government employer for a long time, and when you retired, they sent you a monthly check for life. You did not have to manage investments or calculate contribution rates. The system did it for you.

That system has largely disappeared.

Over the past four decades, most private employers replaced pensions with 401(k) plans. This shifted almost all of the responsibility onto the individual. Now you decide how

much to save, where to invest it, and how to manage it in retirement without running out. And in most cases, nobody ever sat you down and taught you how to do any of that.

If you grew up watching your parents retire comfortably on a pension and a Social Security check, without ever worrying about investment allocation or contribution limits, there is a very good structural reason why you feel unprepared.

The system changed. The expectations changed with it. The education did not follow.

Understanding this matters, not as an excuse, but because it helps you see the actual problem clearly. Most people in this situation are dealing with a genuine education gap, not a character flaw. And an education gap is something you can close.

The Benchmark Trap

You have probably seen the numbers. By 40, you should have three times your salary saved. By 50, six times. By 60, eight times.

These guidelines get repeated so often and so confidently that people start treating them like rules. They are not.

They are rough estimates built on a specific set of assumptions: that you will retire at 65, that you will spend about 80% of your current income in retirement, and that your investments will hit a certain average return. Change any of those assumptions and the number changes significantly.

The benchmark does not know that your mortgage will be paid off in three years. It does not know that your spouse has a pension. It does not know that your lifestyle is modest, or that you plan to work part-time into your 70s because you want to. It is talking to a hypothetical average person, and that person is not you.

Later in this course, you will calculate a number that actually reflects your real life. That number is the one that matters. Not the benchmark.

The Real Cost of Avoidance

There is one genuinely costly part of the avoidance pattern, and it is worth naming directly.

The problem is usually not what happened in your 30s. That decade is often genuinely expensive. Student loans, young children, building a career, maybe a divorce or a business that did not work out. Real constraints leave real marks on a savings balance.

The bigger issue, for many people, is what happened in their 40s.

By then, income tends to be higher. Some of the earlier expenses have eased. There is often real room in the budget to be saving more aggressively. But because retirement still feels like this large, complicated, slightly terrifying subject, the years pass without action.

If that sounds familiar, do not spend energy on regret. Spend it on recognizing that the same pattern will repeat over the next ten to fifteen years unless something changes now. You likely have meaningful earning years ahead of you. How you use them will shape your retirement more than almost anything that came before this moment.

Where Things Actually Stand

Here is a clear-eyed summary before you move forward.

Most people who feel behind are behind the benchmark, but not catastrophically so. Most have more capacity to improve the situation than they currently believe. Social Security will almost certainly play a role in your retirement income.

Healthcare costs in retirement are real and worth planning for. And for most people in their 40s and 50s, consistent focused effort over the next two decades will produce a genuinely different outcome than the one they are currently picturing.

That is not a reason to stay comfortable. It is a reason to stop treating this as a crisis and start treating it as a problem you can solve. That is exactly what the rest of this course is here to help you do.

Your Action Points for Module One

1. Write down the story.

Take five minutes and write out the narrative you have been carrying about your retirement. Not the facts, just the story in your head. What do you fear? What do you assume is true? Getting it onto paper makes it something you can examine, rather than something that runs quietly in the background.

2. Find your current number.

Log into every retirement account you have, including any old 401(k)s from previous employers, and write down the total balance. Do not judge it. Do not compare it to anything yet. Just get the number in front of you. You cannot work with something you are refusing to look at.

3. Check your employer match.

Find out whether your current employer offers a 401(k) match and whether you are currently receiving the full amount. If you are contributing less than the percentage required to unlock the full match, you are leaving free money on the table. Make a note to fix this before the end of the week. It is the single highest-return move available to most people in this situation.

The Building Blocks

Account types, contribution limits, employer matching, and how compounding actually works

You Do Not Need to Know Everything

One of the reasons retirement planning feels so overwhelming is the sheer volume of terminology. 401(k), IRA, Roth, traditional, SEP-IRA, HSA, RMD. If you have ever tried to read a personal finance article and felt lost within the first few paragraphs, you are not alone.

Here is the truth: you do not need to understand all of it.

You need to understand the parts that apply to your situation, and those are far fewer than most people assume. This module covers the core building blocks in plain language. Think of it as learning the basic rules of the game before worrying about advanced strategy.

The Main Accounts Worth Knowing

The 401(k)

A 401(k) is a retirement savings account you access through your employer. You contribute a portion of your paycheck before taxes are taken out, which lowers your taxable income for the year. The money grows inside the account without being taxed annually. You pay taxes on it when you withdraw it in retirement.

For 2026, you can contribute up to \$24,500 per year if you are under 50. If you are 50 or older, you get an additional \$8,000 catch-up contribution, bringing your total to \$32,500. And if you are between ages 60 and 63, a newer **"super catch-up" provision** allows you to contribute an extra \$11,250 instead, bringing your total to \$35,750. These catch-up allowances exist specifically for people in your situation, and they are among the most valuable tools available to late starters.

Many employers also offer a match, which we will cover in detail shortly.

The Traditional IRA

An IRA stands for Individual Retirement Account. Unlike a 401(k), you open this yourself through a brokerage, not through your employer. You can open one at places like Fidelity, Vanguard, or Schwab in about 15 minutes.

A traditional IRA works similarly to a traditional 401(k): your contributions may be tax-deductible, the money grows tax-deferred, and you pay taxes when you withdraw in retirement. The annual contribution limit for 2026 is \$7,500, or \$8,600 if you are 50 or older.

Whether your contributions are fully deductible depends on your income and whether you have a workplace retirement plan. If you are unsure, a quick conversation with a tax professional will clarify it.

The Roth IRA

A Roth IRA is the mirror image of a traditional IRA. Instead of contributing pre-tax money and paying taxes later, you contribute money you have already paid taxes on, and then your withdrawals in retirement are completely tax-free.

For people who expect to be in a higher tax bracket in retirement, or who simply want the flexibility of tax-free income later, a Roth can be a smart choice. The same contribution limits apply: \$7,000 per year, or \$8,000 if you are 50 or older.

There are income limits on who can contribute directly to a Roth IRA. For 2026, the ability to contribute begins to phase out at \$153,000 for single filers and \$242,000 for married couples filing jointly. If you earn above those thresholds, there are still legal ways to get money into a Roth, which a financial advisor can walk you through.

If you have access to a 401(k) at work, start there. Maximize your employer match first. Then consider an IRA as a supplement. You can contribute to both in the same year.

The Employer Match: The Most Important Number in This Course

If your employer offers a 401(k) match and you are not capturing the full amount, stop everything and fix that first.

Here is how it typically works. Your employer might say: "We will match 50% of your contributions, up to 6% of your salary." So if you earn \$75,000 a year and contribute 6% of your salary (\$4,500), your employer adds another \$2,250 on top of that.

That is a guaranteed 50% return on that portion of your money before a single investment gain is made. No investment in the world offers that reliably.

Not contributing enough to get the full employer match is the equivalent of turning down part of your salary. It is the single most costly and most fixable mistake people in this situation make.

If you are not sure what your employer's match looks like, check your HR portal or call your HR department. It should take less than ten minutes to find out.

Compounding: The One Concept That Changes Everything

You have probably heard the phrase "**compound interest**" more times than you can count. It gets used so often that it starts to feel like background noise. But it is worth actually understanding, because it is the reason why time matters so much in retirement investing, and why you still have more of it than you think.

Here is the simple version.

When your money earns a return, that return gets added to your balance. Then, the next time a return is earned, it is calculated on the new, larger balance, which includes the previous return. So your returns start earning their own returns. Over time, this creates a snowball effect where your money grows faster and faster without you doing anything extra.

A straightforward example: if you invest \$10,000 and it earns 7% per year on average, after 10 years you have roughly \$19,700. After 20 years, about \$38,700. After 30 years, around \$76,100. You did not add a single dollar after the initial investment. The growth came entirely from compounding.

The math is not magic. But it does reward consistency and punish delay. Every year you wait to invest is a year of compounding you cannot get back. Every year you do invest is a year that works in your favor, even if the amounts feel small.

What This Means If You Are Starting Late

One of the most discouraging things people tell themselves when they feel behind is that compounding only matters if you started young. That is not quite right.

Yes, starting at 25 produces a better outcome than starting at 45. That is simply true. But compounding does not stop working just because you are older. If you are 47 and you plan to retire at 67, you still have 20 years of compound growth ahead of you. Twenty years is a long runway.

The key is that you need to actually start. Compounding requires something to work with. Money sitting in a low-interest savings account, or not being saved at all, does not compound in any meaningful way. Getting your money into the right accounts and invested in a sensible way is what activates this whole process.

The best time to start was 20 years ago. The second best time is right now. That is not just a motivational saying. It is literally how the math works.

A Word on Investment Choices Inside Your Accounts

Once money is inside a 401(k) or IRA, it needs to be invested in something. This trips a lot of people up. They open the account, contribute money, and then leave it sitting in the default option or in a money market account, effectively earning almost nothing.

You do not need to become an expert investor. For most people in this situation, a simple target-date fund is perfectly adequate. These are funds designed to do most of the work for you. You pick a fund with a year close to when you plan to retire, for example a "2040 Fund" or a "2045 Fund," and the fund automatically holds a mix of stocks and bonds that gradually becomes more conservative as that year approaches.

They are not perfect. But they are simple, diversified, low-maintenance, and vastly better than leaving your money in cash. Most 401(k) plans offer them, and most IRA providers do as well.

We will look more closely at investment strategy when we get to the drawdown phase in Module Five. For now, the most important thing is that your money is in the account and actually invested, not just sitting there.

Your Action Points for Module Two

1. Confirm you are getting your full employer match.

Log into your HR portal or call your HR department and find out exactly what your employer's match structure is and what percentage you need to contribute to receive the full amount. If you are not there yet, adjust your contribution rate this week. This one step alone can add tens of thousands of dollars to your retirement balance over time.

2. Check that your retirement money is actually invested.

Log into your 401(k) or IRA and confirm that your balance is invested in something, not just sitting in a money market or default cash account. If you are unsure what to choose, look for a target-date fund that matches your approximate retirement year. It is not the only good option, but it is a solid starting point.

3. Open an IRA if you do not already have one.

If you are not already contributing to an IRA in addition to your workplace plan, consider opening one. Fidelity, Vanguard, and Schwab all offer straightforward accounts with no minimums to open. Even contributing a modest amount each month creates a second stream of tax-advantaged growth working in your favor.

Your Number

How to calculate a realistic retirement target and understand where your income will actually come from

Why Most People Never Do This

Ask most people what their retirement number is and they will either quote a benchmark they read somewhere, say "I don't know," or give you a vague answer like "as much as possible."

Very few people have actually sat down and calculated a number based on their own life.

The reason is usually not laziness. It is that the calculation feels intimidating, or they are afraid of what the answer will be, or they genuinely do not know where to start. So the number stays abstract, the anxiety stays high, and nothing changes.

This module is going to change that. By the end of it, you will have a working retirement number that is based on your actual situation, not on a generic formula designed for a hypothetical stranger.

Step One: Figure Out What You Actually Need to Live On

The starting point for your retirement number is not some percentage of your current salary. It is a realistic estimate of what your annual expenses will look like when you retire.

For many people, retirement expenses are lower than their current expenses. The mortgage may be paid off. The kids will be grown and financially independent. Work-related costs like commuting, professional clothing, and lunches out disappear. You are no longer saving for retirement, because you are in it.

But some costs go up. Healthcare is the big one. Travel and leisure spending often increases, at least in the early years of retirement. And inflation quietly erodes purchasing power over a 20 to 30 year retirement in ways that many people underestimate.

A common working assumption is that you will need roughly 70 to 80% of your current income in retirement. That is a reasonable starting point, but it is worth spending 20 minutes actually thinking through your anticipated lifestyle rather than just accepting a percentage.

A Simple Way to Think About It

Write down your current major expense categories: housing, food, transportation, healthcare, insurance, entertainment, travel, and anything else that is significant. Then go through each one and ask: **will this cost be higher, lower, or about the same in retirement?**

You do not need exact figures. Reasonable estimates are enough to work with. The goal is to arrive at a realistic annual spending number, not a perfect one.

Step Two: Calculate Your Savings Target

Once you have a rough annual spending number, you can work backwards to figure out how much you need to have saved by the time you retire.

The most widely used tool for this is something called the 4% rule. It comes from research showing that if you withdraw 4% of your portfolio in your first year of retirement and then adjust slightly for inflation each year, your money has a strong historical probability of lasting 30 years.

To use it, divide your estimated annual retirement spending by 0.04. That gives you your savings target.

Example

Say you estimate you will need \$60,000 per year in retirement.

\$60,000 divided by 0.04 equals \$1,500,000.

That is your savings target before accounting for other income sources like Social Security.

Once you factor in Social Security, the number you need from your own savings drops considerably, which we will cover in just a moment.

The 4% rule is a guideline, not a guarantee. It works well as a planning tool, but your actual withdrawal strategy in retirement should be flexible. We will cover that in Module Five.

Step Three: Factor In Your Other Income Sources

Here is where a lot of people get a much-needed reality check in a positive direction.

Your retirement savings are not the only source of income you will have. Most people in their 40s and 50s today will have access to at least two other income streams in retirement, and possibly more.

Social Security

Social Security is real, it is significant, and it is one of the most underappreciated parts of most people's retirement picture.

The average Social Security benefit as of early 2026 is around \$2,079 per month, though your actual benefit depends on your earnings history and when you claim. For a married couple where both spouses worked, combined benefits can be \$4,000 to \$5,000 per month or more.

You can get a personalized estimate of your projected benefit right now by visiting ssa.gov and creating a My Social Security account. It takes about ten minutes and the number you see will likely be higher than you expected.

There is ongoing concern about Social Security's long-term funding. The trust fund is now projected to face a shortfall as early as 2032, after which benefits might be reduced to roughly 77 cents on the dollar if Congress does nothing. This is worth knowing, but it does not mean Social Security will disappear. It has strong political support and some form of it will almost certainly be available to you. Planning conservatively might mean assuming 75 to 80% of your projected benefit rather than the full amount.

Part-Time Work or Consulting

Many people in their 60s continue working in some capacity, not because they have to, but because they want to. Staying engaged, maintaining a sense of purpose, and keeping some income coming in while your investments continue to grow can make a significant difference.

Even earning \$20,000 to \$25,000 per year from part-time work in your early retirement years dramatically reduces how much you need to draw from your savings. This extends the life of your portfolio considerably.

If part-time work or consulting is something you can realistically see yourself doing, factor a conservative version of that income into your plan.

A Pension or Other Guaranteed Income

If you work in government, education, healthcare, or the military, you may have a pension coming. If your spouse does, that counts too. Any guaranteed monthly income reduces the amount your savings needs to cover, often quite substantially.

If you have a pension, find out what your projected monthly benefit will be and include it in your planning.

Putting It All Together

Here is how you combine all of this into a working picture.

Start with your estimated annual retirement expenses. Subtract the annual income you expect from Social Security, any pension, and any realistic part-time work. The number left over is what your savings need to cover each year.

Then apply the 4% rule to that remaining number to get your savings target.

Example

Estimated annual retirement expenses: \$70,000

Expected Social Security income: \$24,000 per year (\$2,000 per month)

Gap to cover from savings: \$46,000 per year

Savings target: \$46,000 divided by 0.04 = \$1,150,000

That is a meaningful difference from the \$1,750,000 you would have calculated without factoring in Social Security. And if part-time work or a spouse's income covers another \$10,000 to \$15,000 per year, the number drops further still.

Most people find that their actual savings target, once they do this calculation properly, is considerably less frightening than the number they had been vaguely dreading in their heads. The math is often more manageable than the anxiety suggests.

What If the Gap Still Feels Large?

For some people, doing this calculation will still reveal a significant gap between where they are and where they need to be. That is okay. Knowing the size of the gap is progress. You cannot close a gap you have not measured.

Module Four is entirely dedicated to the practical steps you can take to close that gap, including strategies specifically designed for people who are starting to accelerate their savings later in life.

The calculation you have done here is the foundation everything else is built on. Do not skip it.

Your Action Points for Module Three

1. Estimate your annual retirement expenses.

Spend 20 minutes writing down your major expense categories and thinking through what each one will realistically look like in retirement. Arrive at a rough annual number. It does not need to be perfect. A reasonable estimate is enough to work with right now.

2. Get your Social Security estimate.

Go to ssa.gov, create a My Social Security account if you do not already have one, and look up your projected benefit. Write it down. This number is going to reduce your savings target more than you probably expect.

3. Calculate your personal savings target.

Take your estimated annual retirement expenses, subtract your expected Social Security income and any other guaranteed income, and divide the remaining number by 0.04. That is your working savings target. Write it down next to your current savings balance from Module One. The difference between those two numbers is what you are working toward.

What To Do Right Now

Practical steps to accelerate your savings, close the gap, and make the most of the years ahead

This Is Where It Gets Real

The first three modules were about understanding your situation clearly. This one is about doing something about it.

Everything in this module is actionable. Some of it you can do this week. Some of it will take a few months to set up properly. All of it will have a meaningful impact on where you end up.

The goal is not to overwhelm you with a 20-step plan. It is to give you the most important moves, in the right order, so you know exactly where to put your energy.

Step One: Close the Match Gap First

This has already been mentioned, but it is worth repeating because it is the single most important starting point for almost everyone in this situation.

If your employer offers a 401(k) match and you are not contributing enough to capture the full amount, that is the first thing to fix. Before anything else. Before paying down extra debt. Before opening an IRA. Before any other savings move.

The employer match is guaranteed money. Nothing else in your financial life offers that kind of immediate, risk-free return. Getting it fully should be non-negotiable.

Log into your HR portal today, find out the exact contribution percentage needed to get your full match, and adjust your contribution rate if you are not already there. It takes about ten minutes and the long-term impact is significant.

Step Two: Max Out Your Catch-Up Contributions

If you are 50 or older, the IRS gives you permission to save more than everyone else. This is called the catch-up contribution, and it was designed specifically for people in your position.

For 2026, here is what you are allowed to contribute:

401(k) Catch-Up Limits for 2026

If you are 50 to 59 or 64 and older, you can contribute up to **\$32,500** per year to your 401(k). That is the standard \$24,500 limit plus an \$8,000 catch-up contribution.

If you are between the ages of 60 and 63, a newer provision called the "super catch-up" allows you to contribute even more: up to **\$35,750** per year. This was introduced by the SECURE 2.0 Act and is one of the most powerful retirement savings tools currently available for people in this age window.

IRA Catch-Up Limits for 2026

If you are 50 or older, you can contribute up to **\$8,600** to an IRA in 2026. That is the standard \$7,500 limit plus a \$1,100 catch-up contribution.

Combined with a 401(k), a 50-year-old can shelter over \$41,000 per year in tax-advantaged accounts. A 60 to 63-year-old can shelter over \$44,000. These numbers can genuinely move the needle over a 10 to 15-year period.

Most people are not anywhere near these limits. But knowing what the ceiling is helps you set a target. Even closing half the gap between where you are now and the maximum makes a significant difference.

Step Three: Automate Everything You Can

One of the most consistent findings in behavioral finance is that people save more when saving happens automatically. When money is transferred before you see it, you adjust your spending to what is left. When you have to actively move money yourself each month, it competes with everything else and often loses.

Your 401(k) contributions should already be automatic through payroll deductions. Your IRA contributions probably are not, unless you set them up that way.

If you have an IRA, set up a monthly automatic transfer from your checking account. Even a fixed amount on the first of every month removes the decision entirely and turns saving into something that just happens in the background.

A useful target to work toward: every time your income increases, whether through a raise, a bonus, or a side project, direct at least half of the increase toward retirement savings before it gets absorbed into your regular spending. Your lifestyle does not need to expand with every income increase. Your retirement account does.

Step Four: Deal With Debt Strategically, Not Emotionally

A lot of people in their 40s and 50s are carrying some debt, whether that is a mortgage, a car loan, student loans, or credit card balances. The instinct is often to pay everything down as fast as possible before focusing on retirement. That instinct is not always right.

Here is a simple framework for thinking about it.

High-Interest Debt (Credit Cards, Personal Loans Above 7-8%)

Pay this down aggressively. The interest rate on this kind of debt almost certainly exceeds what your investments will return over the same period. Carrying a 20% credit card balance while investing in a portfolio averaging 7% annually is a losing trade. Get this gone.

Moderate-Interest Debt (Car Loans, Some Student Loans, 4-7%)

This is genuinely a judgment call. A reasonable approach is to make regular payments on schedule while still contributing to retirement. The returns on investing are uncertain but historically higher than the interest you are paying, so it usually makes sense to do both in parallel rather than pause retirement savings entirely.

Low-Interest Debt (Most Mortgages, Below 4%)

In most cases, prioritize retirement savings over making extra mortgage payments. The long-term expected return on a diversified investment portfolio has historically

outpaced low mortgage rates. Paying off a 3% mortgage early while leaving tax-advantaged retirement accounts underfunded is generally not the optimal move.

The exception to all of the above is psychological. If carrying a particular debt causes you significant stress or affects your decision-making, there is real value in paying it off even if the math does not fully support it. A financial plan you can stick to beats an optimal plan that keeps you up at night.

Step Five: Look at Your Investment Allocation

Once your money is in the right accounts, it needs to be invested appropriately for someone at your stage. This is worth reviewing if you have not done so recently.

Two common mistakes for people in their 40s and 50s are worth flagging here.

The first is being too conservative too early. Some people shift heavily into bonds or cash equivalents in their 40s because they are nervous about market volatility. But if you are retiring at 65 and potentially living to 85 or 90, you have a 20 to 40 year investment horizon. Being too conservative early on can cost you significantly more than a market downturn would.

The second is the opposite: being so focused on growth that you carry too much risk as you get closer to retirement. A portfolio that drops 40% in the two years before you plan to retire is a real problem if you do not have time to recover.

A commonly used starting point for allocation is to subtract your age from 110, and use that number as your rough percentage in stocks. At 50, that is about 60% stocks and 40% bonds and stable assets. At 60, roughly 50/50. This is a rough guide, not a prescription, and your actual allocation should reflect your specific timeline, risk tolerance, and other income sources. But it gives you a reasonable baseline to compare against what you currently have.

Step Six: Consider a Health Savings Account (HSA)

If you have access to a high-deductible health plan through your employer, you may be eligible to contribute to a Health Savings Account. Most people think of an HSA as just a medical expense account, but it is actually one of the most tax-efficient savings vehicles available.

Contributions are tax-deductible. Growth inside the account is tax-free. Withdrawals for qualified medical expenses are tax-free. That is a triple tax advantage that no other account type offers.

After age 65, you can withdraw from an HSA for any purpose, not just medical expenses, and pay ordinary income tax on it, effectively making it behave like a traditional IRA. Given that healthcare is one of the biggest expenses in retirement, having a dedicated pool of tax-free money to cover those costs can take significant pressure off your other savings.

If you are eligible and not currently contributing to an HSA, it is worth adding to your savings strategy.

A Note on Late Starters

If you are reading this in your early to mid-50s and feel like you are significantly behind, here is the honest truth: you are not out of options, but you do need to be more deliberate than someone who started earlier.

The strategies that tend to make the most difference for late starters are not complicated. Maximize every tax-advantaged contribution available to you. Keep investment costs low. Extend your working years by even two or three years if you can, since this both adds to your savings and reduces the number of years your portfolio needs to support you. Consider whether downsizing your home before retirement could free up meaningful equity. And be realistic about your expected spending in retirement, because a modest lifestyle requires a much smaller portfolio than a generous one.

None of that requires a dramatic reinvention of your life. It requires focus and consistency over the next decade or more. That is achievable for most people who are willing to take it seriously.

Working two extra years has roughly the same impact on retirement security as saving an additional 10% of your salary for a decade. That is not an argument for delaying retirement against your will. It is a reminder that time in the workforce is one of the most powerful levers late starters have access to.

Your Action Points for Module Four

1. Confirm your contribution rate and increase it if you can.

Log into your 401(k) and check what percentage of your salary you are currently contributing. If you are not at the catch-up limit and there is any room in your budget to increase it, do so now. Even raising your contribution by 1 or 2 percent adds up meaningfully over time. If your employer allows it, consider setting your contributions to increase automatically each year.

2. Set up automatic IRA contributions.

If you have an IRA, log in and set up a recurring monthly transfer. If you do not have one yet, open one this week at Fidelity, Vanguard, or Schwab and set up an automatic contribution from the start. Decide on an amount you can commit to without feeling the pinch, and start there. You can always increase it later.

3. Review your investment allocation.

Log into your retirement accounts and look at how your money is currently invested. Does it reflect where you are in your timeline? If you have not reviewed this in the past year or two, it is worth spending 30 minutes comparing your current allocation to a target-date fund designed for your retirement year. If they look dramatically different, that is worth investigating further.

The Transition

How to shift from saving mode to spending mode without running out of money or living in unnecessary fear

The Problem Nobody Talks About

Most retirement planning advice focuses on accumulation: how to save more, invest wisely, and build a bigger number. That makes sense, because for most of your working life, that is the job.

But there is a second challenge that does not get nearly enough attention, and it catches a lot of people off guard when they get there.

How do you actually spend the money?

After decades of being told to save, save, save, switching to spending mode is psychologically harder than most people expect. Many retirees find themselves living far below their means not because they have to, but because they are terrified of running out. They pinch pennies in their early 60s when they are healthy and active, and then end up leaving behind a larger estate than they ever intended while missing out on years they could have genuinely enjoyed.

The goal of this module is to help you approach the transition with a clear plan, so you can spend with confidence rather than fear.

Understanding the Drawdown Phase

Drawdown simply means the period when you are pulling money out of your retirement accounts to live on, rather than adding to them. For most people, this starts somewhere around age 62 to 67 and can last 20 to 30 years or more.

The central challenge of drawdown is what financial planners call sequence of returns risk. This sounds technical but the idea is straightforward. If the market drops significantly in the first few years of your retirement, and you are withdrawing money at the same time, you are selling investments at low prices to fund your living expenses. That depletes your portfolio faster, and leaves less money to recover when the market

eventually rebounds. A bad run of returns early in retirement is far more damaging than the same bad run later on.

This is why having a clear withdrawal strategy matters. It is not just about how much you withdraw. It is about how you structure your finances so that a rough patch in the market does not derail your entire plan.

The sequence of returns risk is highest in roughly the five years before and the five years after retirement. How you manage your money during this window has an outsized impact on how long your portfolio lasts.

The 4% Rule Revisited

You were introduced to the 4% rule in Module Three as a way to calculate your savings target. It is worth revisiting here in its proper context as a withdrawal guideline.

The rule, based on decades of historical market data, suggests that withdrawing 4% of your portfolio in your first year of retirement, and then adjusting that amount slightly for inflation each year, gives your money a strong historical probability of lasting 30 years.

That is genuinely useful as a baseline. But it has limitations worth knowing.

It was developed based on US market history, which has been unusually strong. Some researchers now suggest a more conservative starting withdrawal rate of 3.3% to 3.5% better reflects current market conditions, lower expected bond returns, and the reality that many people will be in retirement for longer than 30 years.

It also assumes a relatively fixed withdrawal amount. In practice, most people spend more in their early retirement years when they are healthy and active, and less later on. A flexible approach, where you adjust your withdrawals based on how your portfolio is performing, tends to work better than a rigid annual formula.

Think of the 4% rule as a useful starting point for planning, not a precise instruction for spending. The real goal is to have a withdrawal strategy that is responsive to what is actually happening with your money, not one that is locked in regardless of circumstances.

Building a Withdrawal Strategy That Actually Works

A practical drawdown strategy for most people involves thinking about your retirement income in layers. Each layer serves a different purpose and draws from a different source.

Layer One: Your Fixed Income Floor

This is the income you can count on no matter what the market does. Social Security is the primary source for most people. A pension, if you have one, belongs here too. Any annuity income would also go in this layer.

The goal is to cover your essential expenses, housing, food, utilities, healthcare, and transportation, with this layer alone. If your fixed income covers your non-negotiable costs, you are never truly dependent on your investment portfolio just to get by. That changes the psychological experience of retirement considerably.

Layer Two: Your Cash Reserve

Keep one to two years of living expenses in cash or a high-yield savings account, separate from your investment portfolio. This is your buffer.

If the market drops significantly in the year you retire, you draw from this cash reserve for living expenses rather than selling investments at a loss. It gives your portfolio time to recover without forcing you to crystallize losses at the worst possible moment. Replenish this reserve during years when your portfolio performs well.

Layer Three: Your Investment Portfolio

This is your long-term engine. It is what you draw from for discretionary spending, large expenses, travel, gifts, and anything beyond your fixed income floor.

As you move deeper into retirement, your portfolio should generally become more conservative, shifting gradually from growth-oriented investments toward more stable ones. But do not make the mistake of going too conservative too early. If you retire at 65 and live to 90, you still have 25 years of investment horizon. Some exposure to growth assets throughout retirement is important for keeping pace with inflation over that span.

When to Claim Social Security

One of the most consequential decisions in the transition to retirement is when to start claiming Social Security. It is also one of the most misunderstood.

You can claim as early as 62, but your monthly benefit is permanently reduced if you do. Your full retirement age depends on when you were born: for most people reading this, it is 67. And if you delay claiming beyond your full retirement age, your benefit increases by 8% per year up until age 70, at which point it maxes out.

That 8% annual increase for delaying is significant. Waiting from 67 to 70 increases your monthly benefit by 24%. On a benefit of \$2,000 per month, that is an extra \$480 every single month, for the rest of your life, adjusted for inflation.

For most people who are in reasonable health and can afford to wait, delaying Social Security as long as possible, ideally to 70, is one of the highest-return financial decisions available. It is essentially purchasing a guaranteed, inflation-adjusted income stream at a very favorable rate.

If you are married, the higher earner delaying to 70 is especially powerful, since the surviving spouse inherits the larger of the two benefits. This provides meaningful protection against the financial risk of one partner outliving the other by many years.

That said, claiming early makes sense in some circumstances. If you are in poor health, have a significantly shorter life expectancy, or genuinely need the income, claiming earlier can be the right call. The break-even point between claiming at 62 versus 70 is typically around age 80 to 82. If you expect to live past that, delaying usually wins. If you do not, earlier may make more sense.

Required Minimum Distributions

Once you reach age 73, the IRS requires you to start withdrawing a minimum amount from most tax-deferred retirement accounts each year, whether you need the money or not. These are called Required Minimum Distributions, or RMDs.

The amount you must withdraw is calculated based on your account balance and your life expectancy according to IRS tables. If you do not take the required amount, the penalty is steep: 25% of the amount you should have withdrawn.

For most people, RMDs are not a problem. By 73, you are already drawing from your accounts and the required amounts are manageable. But for people with large tax-deferred balances who have been living on other income sources, RMDs can push them into a higher tax bracket and create an unexpectedly large tax bill.

If that scenario sounds like it could apply to you, it is worth speaking with a financial advisor in your 60s about Roth conversions, which involve moving money from a traditional IRA into a Roth IRA and paying taxes on it now, at potentially lower rates, rather than being forced into larger withdrawals later. This is one of those areas where professional guidance tends to pay for itself.

Roth accounts are not subject to RMDs during your lifetime. If you have been building a Roth IRA alongside your traditional accounts, that flexibility becomes increasingly valuable as you approach and enter retirement.

The Emotional Side of the Transition

It would be a disservice to end this module without acknowledging that the shift into retirement is not just a financial event. It is a major life transition, and for many people it brings unexpected emotional challenges alongside the practical ones.

Some people feel a surprising sense of loss when they stop working, even if they were looking forward to it. Work provides structure, identity, social connection, and a sense of purpose. When it is gone, its absence can feel disorienting in ways that are difficult to anticipate.

Others feel guilt about spending money they spent decades accumulating. They delay travel, hold off on experiences, and live unnecessarily cautiously during the years when they are most capable of enjoying their freedom.

There is no financial fix for either of these things. But being aware of them ahead of time helps. Retirement planning is not just about making sure your portfolio lasts. It is about building a life in retirement that is actually worth funding.

Think about what you want your days to look like. What will give you structure and purpose? What relationships do you want to invest in? What have you been putting off? These questions are just as important as the withdrawal rate you choose, and they deserve the same level of serious thought.

Your Action Points for Module Five

1. Map your income layers.

Write down what your fixed income floor will look like in retirement: your projected Social Security benefit, any pension, and any other guaranteed income. Then compare that to your estimated essential monthly expenses. If your fixed income covers your essentials, you are in a fundamentally stronger position than most. If there is a gap, you now know exactly how much your portfolio needs to cover each month.

2. Look up your Social Security full retirement age and run the numbers on delaying.

Visit ssa.gov and check your projected benefit at 62, at your full retirement age, and at 70. Calculate the difference in monthly income between claiming early and claiming at 70. Then think honestly about your health, your life expectancy, and whether you have other income to bridge the gap while you wait. For most people, the case for delaying is stronger than they expect.

3. Start thinking about what retirement actually looks like for you.

This one is not financial. Write down, even loosely, what you want your first year of retirement to look like. Where do you want to be? How do you want to spend your time? What do you want to do that you have not been able to? Getting concrete about this turns retirement from an abstract financial destination into something real that is worth planning for and looking forward to.

A Final Word

You started this course feeling behind. That is an honest place to start, and it took something to face it directly rather than change the channel.

What you have now is a clear picture of your situation, a realistic target based on your actual life, and a set of concrete steps that can genuinely change where you end up. That is not nothing. That is most of what separates people who retire with confidence from people who retire with anxiety.

The work ahead is not complicated. Save more consistently. Use every tax-advantaged tool available to you. Invest sensibly and stay the course when markets get uncomfortable. Delay Social Security if you can. And as you get closer, build a drawdown plan that lets you spend with confidence rather than fear.

None of that requires perfect decisions. It requires good enough decisions made consistently over time. You are more capable of that than you have been giving yourself credit for.

Now go do the action points.