

# AT&T

# RETIREMENT CHECKLIST

A checklist that can guide you and your family through a process so that you are prepared when that day comes.



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# CHECKLIST TO RETIREMENT

Preparing for retirement can be a daunting task. For example, there are select decisions such as whether to accept a pension annuity or lump sum that is an irrevocable decision. Many people retire early for reasons such as illness, need to take care of a loved one, wish to change careers, downsizing, etc.

Fortunately, AT&T provides benefits that will prepare you for whatever reason you retire. It is your responsibility to understand these benefits and how best to optimize them for you and your loved ones. It is also your responsibility to select the right team (e.g., attorney, CPA, financial advisor) to help you make good decisions. Merit Financial Advisors have helped an untold number of AT&T employees and their families prepare for retirement, as well as, throughout their retirement itself.

Following is a checklist that can guide you and your family through a process so that you are prepared when that day comes. While this checklist is beneficial in guiding your decision and preparing a plan, it should not substitute for legal, financial, or accounting advice specific to your situation.

## When should retirement planning begin and what should I do to prepare?

Although planning retirement should be part of a person's goals during all adult life, for most of us, we have other things that take priority. Buying a home, finding a partner, and raising a family are foremost in our lives during the early years. It is not too late to begin planning, but ideally, no later than two to five years prior to retirement can still make for a comfortable living after work. With this timeline in mind, let us review those areas that should be reviewed and have a plan.



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# PENSION PLANNING

- **Eligibility** – Verify that you are pension eligible. An employee must be a minimum age and a minimum number of years' service to be pension eligible. Age requirement is eliminated if the employee has thirty years' service. A retiree may receive a payment option but not be available for other benefits. Eligibility determines whether the employee retiring will be provided other benefits such as life insurance, medical insurance, dental insurance, vision care.
- **Payment options** – In most cases, an employee can choose a monthly annuity payment or a lump sum payment. For union members, they may have a choice of a mixture of monthly annuity payments and a partial lump sum. Each annuity option choice may also include a spousal benefit. Selection is irrevocable, so it is extremely important that the choices are well understood and the correct selection for your family is chosen. An advisor may be able to help you in determining the best course of action and how it will affect your income.
  - **Spousal/partner** – Selecting a pension option must be approved by the spouse or legal partner. These decisions should be discussed with them to understand the impacts, as well as, the employee.
  - **Availability** – Annually, the pension fund is audited to determine its' ability to fund planned retirements. If it does not achieve certain levels approved by the federal government, then payment options may be altered or suspended until these levels are achieved. Verify these levels are met for the year you plan to retire.



# TAX PLANNING

- **Local State Income Taxes** – Select states do not apply state income tax to pensions or other incomes such as social security. This exemption may apply to lump-sum pensions, 401(k)s, and/or annuities. Determine which state(s) where you will retire and determine how this factor may influence your retirement decisions.
- **Traditional IRAs, Traditional 401(k)s, Roth IRAs/401(k)s and after-tax in 401(k)s** – Understand the tax implications of each of these investment platforms and work with a financial advisor to determine what mix may be best for you and your family. AT&T provides several options within its' 401(k) plan. Set up an investment strategy that works best for you and your family.
- **Deferred Compensation** – For some employees, they may have the option to invest in deferred compensation. Evaluate the tax advantages.
- **Under the age of 59 ½** - There is an IRS tax code that will allow a person retiring to draw income from a traditional IRA/401(k) and avoid the 10% early withdrawal penalty. While these options are available, they may or may not be an option to consider. You need to understand the pros and cons. AT&T's plan administrator's withdrawal methods allow for these rules to be used. Understand these rules and whether they are right for your retirement plan.
- **Outstanding 401(k) loans** – If you have an outstanding 401(k) loan, there are three options for addressing it once retiring. You may choose to not pay it back, continue to pay as a monthly amount or pay off. There are tax implications in each choice which you should understand. Understand the options and be prepared to select which is best for you when retiring



## LIFE INSURANCE

- **Eligibility** – You may be entitled to life insurance with no monthly premium depending on your age and years' service. You can call AT&T benefits at 1-877-722-0020 to discuss or a Merit Advisor can facilitate this call with benefits to guide the questioning to the proper answer.
  - **Company offering** – If you are pension eligible, your estate or life partner could receive a death benefit paid for by the company.
  - **Supplemental Insurance** – You may also be eligible for life insurance equal to X times your income. This insurance is a monthly premium deducted from the employee's paycheck. Once retired, the premiums will likely increase and depending on your age may be conducive to your retirement income plan or not needed any longer. Consider whether to continue this life insurance. It may be a time to evaluate whether long-term care insurance is needed for you and/or your life partner/spouse.
- **Spousal death benefit** – Depending on when you began with AT&T or one of the Bell operating companies, your spouse may be entitled to an additional monetary death benefit. Verify your eligibility and not this information with your beneficiary/Will papers.



## ESTIMATE RETIREMENT INCOME

- **Income sources** – Identify your income sources and list each of them. Sources may include 401(k)s, IRAs, annuity(s), pension(s), social security, individual company stock, spousal/partner income sources, inheritance, non-qualified accounts, etc.
- **Income amounts** – Estimate the amount of income that is planned from each source and how long it is estimated to last. There are several calculators online to perform this calculation but discussing with an advisor will help answer any detailed questions you may have.
- **Retirement Expenses** – List expenses that will continue in retirement, new expenses, and expenses that may be eliminated. A general rule of thumb is to eliminate all debt possible such as a mortgage, car payments, student loans, etc.
- **Emergency Fund** – Determine what is appropriate for an emergency fund. Remember life does not stop just because you retired. Repairs such as for home and car will continue. Medical expenses may increase.



# MEDICAL BENEFITS

- **Pre-age 65** – If you retire prior to turning 65, you may be entitled to continue your medical, dental, and vision plans for you and your spouses, but at unsubsidized rates. Expect the monthly premiums to increase. If your spouse/partner is at least 65 and on your coverage, they will be dropped from the group health insurance plans. See post-age 65 for details. Premium estimates can be provided by the benefit's office at 1-877-722-0020 or a Merit Advisor can help you obtain this information.
- **Post-age 65** – If you retire at age 65 or after, you will typically be required to apply for Medicare. This is true for your spouse/partner as well, assuming your spouse/partner is also 65 or older. Assuming your spouse/partner has insurance elsewhere, either through the current employer, past employer, military, etc., it is beneficial to check to see if you may be able to switch to their plan. If this option is not available, you and your spouse/partner will be offered an Advantage Medicare insurance through United Healthcare. Because your AT&T group insurance is replaced with Medicare, it is extremely important that the paperwork and coordination during retirement be handled timely. It is recommended to work with an expert who is familiar with this process to ensure no drop in insurance coverage. Merit Advisors have helped many retirees through this process.



# INHERITANCE

- **Beneficiaries** – Confirm all beneficiaries for life insurance, Health Savings Accounts, IRAs, 401(k)s, annuities, and any other beneficiary documents involved.
- **Will** – This is a good time to review your Will, Living Will, and Power of Attorney.





# CONNECT WITH US

## Consult a Merit Financial Advisor

What to do with retirement money is a major financial decision. When faced with change, it's the perfect occasion to make sure you're on track toward a secure retirement. Your Merit Financial Advisor can help you review your current situation, explore your options and create a plan that fits your personal circumstances.



## Let's have a conversation!



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