

## 12 Keys To Retiring From SCE With Confidence

by Cary Facer

Retirement is coming soon, and you know you should be excited. But some of us have so many questions and concerns about our retirement that we're more nervous than anything else.

We understand.

At Warren Street Wealth Advisors, we've helped hundreds of Southern California Edison retirees navigate this crucial but confusing time. In the process, we've learned SCE's retirement programs and employee benefits inside and out. So we put together a list of our top 11 keys to retiring from SCE confidently and stress-free.

### **1. Have A Plan**

Nothing else in this post matters if you don't have a personalized financial plan. We believe this so strongly that building a personalized financial plan is the first thing we do with *every* one of our clients.

A personalized financial plan is the roadmap to your comfortable, stress-free retirement. You can know your benefits inside-out and be clever about taxes and investments. But if you don't have a map for navigating your retirement, you'll never feel confident along the way.

And if you don't have a map, who knows where you'll end up?

## **2. Seriously: Have A Plan**

I wrote that twice because I wanted to be certain you see how important this is.

Having a plan is essential for any major life decision, and navigating your retirement with wisdom and confidence is certainly part of a major life decision!

Plus, if you're confused about any of the information below, then setting up a plan with a Certified Financial Planner (like the ones at Warren Street Wealth Advisors) is the easiest way to walk through all of it in terms you'll understand.

OK, let's move on...

## **3. Plan to Retire Around October**

If you are grandfathered into the old SCE pension plan formula, you should plan to retire around October. This will allow you to choose which interest rate you want for your grandfathered formula. You can choose whichever gives you the larger lump sum payout: the current year or the next one during this small window of time.

The main takeaways are to know that you have a choice, weigh the benefits, then decide to retire on December 1st or January 1st—whichever projection pays the higher lump sum benefit.

#### **4. Retire After 55 But Before 59½ Without Paying Penalties**

Here's a scenario we see all the time: you're 57. You want to retire. You don't want to wait until you're 59½ to do it. But you know that there's a 10% federal tax penalty and a 2.5% California state tax penalty if you take money out of your 401k before then. So are you stuck?

Nope.

This is what you do: use a 72t Distribution, the "Age 55" IRS Rule, or a combination of the two, to keep you from paying penalties. Very simply, these rules allow you to access a portion of your 401k *penalty-free* that can sustain you until you get to age 59 1/2.

There are a lot of moving parts here, but at WSWA, we use these rules to make certain that none of our clients pay penalties. Ever.

#### **5. Take Advantage of Your Medical Subsidy**

Did you know that you're eligible for retiree medical subsidy? Call HR and ask them how much you get. 50% or 85% are the most common. This means that when you retire, Edison will pay 50-85% of your retiree medical insurance premium.

#### **6. Say "Goodbye" To Credit Card Debt**

If you have significant credit card debt, then it's time for a plan (there it is

again!), a budget, and some hard work.

Credit card debt can be intimidating, but you can pay it off! At WSWA, one of our favorite things to see a client free himself from the stress of mounting credit card debt. You may just need some help and a plan.

## **7. Plan For Your Sick Time Payout**

Sick time payout can help you tremendously, especially if you're not yet 59½. You can run a pension projection online and it will include a calculation of your accrued sick time payout value. That gives you more clarity about how much money you'll start with when you retire.

## **8. Build Up 6 Months Worth Of Emergency Savings**

We're always optimistic about the future, but sometimes life takes surprising and difficult turns. Wise financial planning means being prepared for those situations.

We recommend that you save at least 6 months worth of living expenses in case of an emergency. So if you need \$4,000/month to live, then have around \$24,000 saved. That way, you're prepared for all of the ups and downs that can happen in our sometimes-volatile economy.

## **9. Build And Keep A Budget**

We get it: it's no fun to build a budget. But writing down all your income and expenses will help you identify where you can save.

Building a budget doesn't mean eliminating all of your fun, either. Get rid of the stuff you don't use, but keep the ones that make you happy! Do shop

your auto insurance around for a better rate. Do call your phone company and cut your bill in half. But don't quit your bowling league if you love to bowl and bowling makes you happy.

Not sure where to start with your budget? No problem. Use our free budget builder to make it easy.

## **10. Wait Until Full Retirement Age To Take Social Security**

There is all kinds of information out there about what to do about your social security. Let me boil it all down to one simple point for you: *don't start taking it early*. When we build a financial plan for a client, we use a tool that calculates all of her options for optimizing her retirement. And no matter how many times we do it and how many ways we look at it, one thing becomes clear every time: it's best to wait until full retirement age to take social security.

## **11. Use Your 401k Efficiently**

Max it out. Diversify your investments. Hire a pro (like us!) if you don't love following the markets. Take advantage of the Tier 3 option (it's called your "Personal Choice Retirement Account") with Charles Schwab.

Plus, hiring a pro means you'll have more time for bowling.

## 12. Have A Plan

You didn't think this was going to end without one more reminder, did you?

If you're not sure where to start with your financial plan, that's OK: we can help. Schedule a free consultation with one of our Certified Financial Planners to talk through your finances and take the first step toward building a plan.

You can retire comfortably and confidently. Take the first step to get the help you need today.

**If you have any other questions, we'd love to help. Give us a call today at 714-876-6200.**

