

I Have a Cool Million in My Roth IRA. Can I Retire at 62?

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RETIRING AT AGE 62 with one million dollars in a Roth IRA and expected Social Security benefits of \$2,250 per month may seem like a viable option, but it comes with some potential risks and considerations. While it is possible to make it work, it may require living on a tighter budget and careful management of your assets. Depending on your circumstances, waiting until full retirement age could be a more secure choice.

In this scenario, your annual income would be approximately \$67,000, or \$5,583 per month. This includes \$2,250 from Social Security, with the remaining amount being withdrawn from your Roth IRA using the 4% rule annually.

Dr. Kate Leonard, a founder at Northeast Wealth Management, cautions that when it comes to your income, it is crucial to understand that there are several unknown factors that can significantly impact your income in retirement. Are you married? Where do you live, and how will that affect your taxes and expenses? What are your expectations for cost-of-living increases? What is your life expectancy? These details are

essential in accurately planning your retirement.

Fortunately, having a Roth IRA can alleviate some of the tax burdens. With a straight 4% withdrawal from your Roth IRA and only 50% of your Social Security benefits being taxed, your taxable income is likely to be lower than an individual filer's standard deduction. This can significantly boost your effective income.

Financial advisor Jim Moniz has seen many clients retire with similar financial situations. While it is possible, it requires strict budgeting, especially when considering factors like healthcare costs, insurance, housing, inflation, and other necessary financial considerations.

There are two main concerns with this retirement plan. First, it is not uncommon to live past 90 years old today. With this budget, there is a possibility of outliving your savings. Second, sticking to a tight budget, especially for a married couple, can be challenging and may take away from the enjoyment of retirement. Psychological and financial comfort during this significant transition is crucial, and being constantly worried about your budget is not ideal.

By retiring at 62, you are significantly reducing your potential income and increasing the risk of your money not lasting throughout your retirement. As a financial expert, Moniz ran the numbers and found that if you start collecting Social Security at 62, the plan works 78% of the time. However, if you wait until full retirement age (67 for individuals born in 1960 or later), the plan works 86% of the time. Waiting until full retirement

age also means collecting over \$3,000 per month in Social Security benefits.

It is important to remember that collecting Social Security at 62 reduces your lifetime benefits by up to 30%. While retiring at 62 with \$1 million in a Roth IRA is possible, it may require careful budgeting and consideration of potential risks. If waiting until full retirement age is an option for you, it may provide a more secure financial future.

Our exclusive **Legacy Vision Approach™** helps you achieve the legacy you envision for yourself, your family, and your community.



Jim Moniz, MSFS, Founder | **Dr. Kate Leonard, Psy.D., Founder**



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