



YOU ASK, WE ANSWER



How large are the financial consequences of retiring prior to my tier's Full Retirement Age (FRA)?

Dear Kelly,

I've hit a wall and am ready to retire yesterday. I'm 50 years old, in Tier 4 of the NYS Pension, and have worked 28 years. I am seriously considering putting in my notice before the new school year. Financially, how much would this cost me? I'm willing to sacrifice a little bit of potential retirement earnings from lost pension benefits in order to be done with it all.

-Ready



Kelly DeMay is a Financial Advisor with Equitable Advisors. Equitable Advisors collaborates with SAANYS to provide financial articles, seminars, guidance, and planning for SAANYS members.

Please feel free to contact me to be set up with a complimentary meeting.
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Dear Ready,

Burnout is real. The thing about moving up the food chain is that everything is bigger. The office, paycheck, responsibilities and challenges are bigger. The rewards can also be bigger, as well as the struggles. The good news is that you are not alone in your struggling, others have been there before it is a very common feeling. It seems that for you, change is necessary. The opportunity to reinvent yourself has more positive to it then not.

The financial consequences of retiring early are unique to each individual, I would need to know more about your specific situation to give you exact numbers of how much NYS Pension payout you'd be missing out on, but **I will outline a very simple hypothetical scenario below.**

For your current scenario, I do have some general advice based from my own personal experiences.

Firstly, avoid making lasting decisions while emotional. Life can seem overwhelming, but take a moment to sit down, look at your numbers. Take a breath.

Speak with a mentor or coach. Tell them how you are feeling, ask for insight. If you don't have a mentor or coach, now is the perfect time to seek one out. A fresh perspective can help.

What are small and strategic changes that you can make to help get you out of the funk? That may be something as small as taking a walk at your lunchtime or changing up your routine. It takes 30 days of doing something to create a habit. Start with one, small, actionable change you can commit to for 30 days. Or, perhaps there is a different role you could take at work that alleviates some of the stress you are experiencing.

As always, **consult with your financial professional** to determine your financial options. You may be able to work outside of the retirement system, but the 'cost' of that choice may be that you have to work longer. Or, you may need to scale back on finances and spending to accommodate the change in income and benefits.

There are always options, it will come down to weighing out the pros and the cons to make an educated decision as to what is next.

Retiring early, at age 50

You cannot collect your NYS Pension until age 55, and if you do collect at 55, you will be penalized. With this choice, your approximate yearly pension payout is **\$38,000.**

If you wait until age 62 to collect your NYS Pension, there is no penalty. With this choice, your approximate yearly pension \$56,000.

KEY POINTS:

- In this scenario, you are without pension income for a number of years, and you also may be without healthcare benefits, depending on your situation.

Hypothetical Illustration*

Based off of the data below:

- ✓ **You have enough service credits to retire but are not at the full retirement age yet.**
- ✓ **Your FAS @ retirement is \$100,000**
(Final Average Salary)
- ✓ **You are in Tier 4 of the NYS Pension**
- ✓ **You decide to take the Single Option for your Pension Payout**

Waiting until Full Retirement Age (62)

If you keep working and retire at 62, your approximate NYS Pension yearly payout is **\$56,000.**

KEY POINTS:

- In this scenario, you have yearly income and benefits until you retire, and collect your pension immediately upon retirement.
- There are many other options that could affect your unique situation, this is just a very simple example of the effects of retiring early.

*We used the **NYS Pension Calculator found here** to estimate the values listed in this hypothetical