

ACHIEVING FINANCIAL INDEPENDENCE



7 Key Steps to Strengthen Your Retirement Plan



Achieving financial independence is about reaching a point where work becomes a choice, not a requirement, because income from investments or other sources can cover your expenses. This guide provides practical steps to help you work toward financial independence, incorporating current tax laws, Social Security updates, and key financial planning practices. For many, financial independence means having the freedom to focus on what matters most in retirement without constant income concerns. Below, we'll explore strategies and tools designed to help you create a sustainable plan for financial independence, taking it one step at a time.



STEPS TO ACHIEVE FINANCIAL INDEPENDENCE



01

Create an Actionable Plan

As you near or enter retirement, achieving financial independence involves managing and preserving your wealth. With a substantial amount saved, the focus shifts to ensuring your savings support your desired lifestyle. This includes strategies for managing withdrawals, optimizing tax efficiency, and safeguarding assets.

Start by setting clear, specific goals for your retirement, such as managing healthcare costs, ensuring a steady income stream, and aligning investments with your needs. Even in retirement, reviewing and adjusting your goals regularly—at least annually—helps adapt to changes in markets or personal circumstances. A financial professional can provide guidance to ensure your strategy supports your long-term objectives.

02

Determine Your Financial Independence Goals

Calculating your target retirement amount is essential for clarifying your path to financial independence. Two common methods to estimate this amount are:

The 4% Rule: This approach suggests withdrawing 4% of your portfolio in the first year of retirement, adjusting for inflation each year. It's typically based on a 30-year retirement horizon, but it's important to reassess periodically, especially if your retirement assets or longevity expectations change.ⁱ

Age-Based Salary Multiplier: This method recommends saving a specific multiple of your annual income by certain ages, such as three times your income by age 40, six times by age 50, and so on. It provides a quick way to track your progress and adjust savings goals.ⁱⁱ

These guidelines are useful, but retirement goals can vary. For example, if you plan to travel or expect higher medical costs in retirement, you may need to save more. Working with a financial professional can help ensure your target aligns with your personal goals.

03

Maintain Strong Financial Habits

Even if you've saved significantly for retirement, maintaining good financial habits is key to preserving and growing your wealth. One important habit is consistent saving. Small, automated contributions to your retirement or savings accounts can continue to build over time, helping you stay on track toward your goals.

Another habit to keep is maintaining an emergency fund. This "ICE Egg" (*In Case of Emergency*) provides a buffer for unexpected expenses, like healthcare or home repairs, without tapping into your long-term savings. A high-yield savings account is ideal for this, offering easy access and growth potential.

Lastly, practicing delayed gratification remains valuable. Focusing on long-term goals rather than short-term desires helps protect your wealth. Small choices – **like waiting on large purchases or looking for better deals** – can add up, helping you preserve your financial future.

By continuing these habits – **saving consistently, maintaining an emergency fund, and making mindful spending decisions** – you'll keep your financial journey on course, even in retirement.

04

Leverage Tax-Advantaged Accounts for Retirement Flexibility

Even with substantial retirement savings, tax-advantaged accounts like 401(k)s, IRAs, and Roth IRAs can still provide valuable benefits as you approach or enter retirement. Recent adjustments have increased contribution limits, with 2025 401(k) limits set at \$23,500 for those under 50. Those aged 50 to 59 and 64 and older can contribute up to \$31,000. Finally, for those aged 60 to 63, the limit has increased to \$34,750.ⁱⁱⁱ

For those already in retirement, these accounts still offer tax-deferral benefits (*with Traditional 401(k)s and IRAs*) or tax-free withdrawals (*with Roth IRAs*), which can enhance flexibility and reduce tax burdens. Even if you're not making new contributions, strategically managing these accounts can help optimize your tax situation and allow your savings to continue growing in a tax-efficient manner.

05 Prepare for Retirement Risks

As you approach retirement, it's important to review your insurance coverage to ensure it aligns with your needs. Health, life, and long-term care insurance can potentially help protect your assets and support your financial goals. Regularly assessing your coverage ensures you're prepared for potential risks and can adjust as your situation changes.

Social Security remains an essential source of retirement income for many. Recent changes have set the full retirement age at 67 for those born after 1960, with cost-of-living adjustments (COLA) helping benefits align with inflation. The 2025 COLA is set at 2.5% for more than 72.5 million Americans making this an approximate increase of \$50 per month.^{iv}

Delaying your claim until age 70 can increase your benefits by approximately 8% per year. It's also important to consider the tax implications, as up to 85% of your benefits may be taxable depending on your income.^v Working with a financial professional can help you navigate these decisions and optimize your Social Security strategy.

By addressing these retirement risks—**ensuring proper insurance coverage and optimizing Social Security benefits**—you can safeguard your financial future and reduce potential uncertainties in retirement.



06 Adjust Lifestyle for Financial Flexibility

As retirement approaches, making strategic changes to your lifestyle can help lower expenses and provide more financial flexibility. Downsizing, for example, can be a practical way to reduce living costs. If your home is larger than needed, consider moving to a smaller property or relocating to an area with a lower cost of living. This not only cuts down on monthly expenses but may also free up capital that can be reallocated toward investments or other retirement goals. Beyond the financial benefits, downsizing can simplify daily life by reducing maintenance responsibilities, allowing you to focus more on the things that matter most in retirement.

Another option for boosting your financial flexibility is earning additional income. With the rise of the gig economy, there are many ways to generate extra revenue - whether it's through freelancing, ridesharing, renting out property, or selling products online. This additional income can help increase savings, pay off debt, and contribute to your financial independence. When considering these opportunities, choose ones that align with your skills and schedule. It's important to strike a balance to avoid burnout and ensure that any extra work contributes positively to your financial situation without negatively impacting your well-being.



07

Regularly Review Financial Goals

Take time each year to review your financial plan and goals with your financial professional, as life circumstances and economic conditions can shift over time. This annual check-in is a good opportunity to look over your budget, savings rate, and investment performance to keep your strategy aligned with your goals.

With recent economic ups and downs, staying flexible and proactive has become even more valuable. Making small adjustments to your portfolio, like rebalancing to manage risk, can help you stay on track and support your long-term financial health.

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Your Financial Independence Journey

Achieving financial independence is a complex yet rewarding journey that benefits from consistent effort and thoughtful planning. Working with a financial professional may assist in keeping your plan current, and adapting it to changes in tax laws, Social Security updates, and economic conditions. With their guidance, you can explore different strategies aimed at fostering growth and managing potential risks.

Each step toward financial independence, from building an emergency fund to maximizing tax-advantaged accounts, may seem minor in isolation but contributes to building a solid foundation for the future. Through steady, disciplined progress, you can navigate financial uncertainties, maintain direction over your financial path, and gain the freedom to make life decisions based on your goals, rather than financial constraints.

Ultimately, financial independence provides the freedom to focus on what truly matters in retirement. As you pursue this goal, you work toward building a foundation of financial resilience for yourself and for those who may rely on you.



i <https://www.investopedia.com/terms/f/four-percent-rule.asp>

ii <https://www.fidelity.com/viewpoints/retirement/how-much-do-i-need-to-retire>

iii <https://www.fidelity.com/learning-center/smart-money/401k-contribution-limits>

iv <https://www.ssa.gov/news/press/releases/2024/#2024-10-10>

v <https://www-origin.ssa.gov/benefits/retirement/planner/taxes.html>



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