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7 Retirement Decisions that Affect the Rest of Your Life

These retirement choices determine how financially secure you will be in retirement

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The choices you make during your working years and at the beginning of retirement affect how comfortably you will live in old age. Here are some retirement decisions that will have a big impact

later on in your retirement years:

When you start saving. Beginning to save for retirement at a young age makes it much easier to save enough to retire comfortably. If you save $5,000 per year in a 401(k) beginning at age 25 and earn a 6 percent annual return on your investments, you would reach age 65 with a nest

egg of $798,741. If you begin saving $5,000 per year at age 40 and earn the same return, you'll hit

age 65 with just $283,161. In fact, even if you save $10,000 per year beginning at age 40, you'll

still end up with significantly less money ($566,315) than if you started saving $5,000 per year in your mid-20s. "If you're younger, you should start right away because the value of compound interest is huge," says Walter Romatowski, a certified financial planner for Castellan Financial Advisors in Palo Alto, Calif.

[Read: 12 Important Retirement Planning Deadlines.]

Whether you get a 401(k) match. Employer contributions to your retirement account make it much easier to amass a bigger nest egg. A 30-year-old employee earning a $50,000 salary who saves $5,000 per year and gets a 3 percent 401(k) match will accumulate $747,662 by age 65, assuming 6 percent annual investment returns. An employee who saves the same amount without getting an employer match would retire with just $575,125. "If your employer has some sort of retirement plan, make sure you save at least enough to get the match," Romatowski says.

Cashing out your 401(k). Cashing out your 401(k) plan, even once over the course of your career, can result in a significantly smaller nest egg in retirement. For example, a worker who consistently saves 6 percent of his pay in a 401(k) plan and gets a 3 percent employer match between ages 21 and 65, but cashes out his 401(k) plan once at age 35 would have $183,618 less in retirement than someone who never cashed out a 401(k), according to Government Accountability Office calculations. "We assume that the individual resumes employment immediately following the job separation and continues his or her own and matching contributions at the same level without interruption," according to the GAO report. "Any interruption in 401(k) contributions – such as unemployment or a waiting period before an individual can participate – would further reduce the 401(k) account balance at age 65." Traditional 401(k) withdrawals before age 55 are subject to an early withdrawal penalty and income tax, which further reduces your retirement savings. "Cash-outs can be especially damaging if taken later in a career when a participant has less time to recover the losses," the GAO found.

[See: 12 Ways to Increase Your Social Security Payments.]

The age you collect Social Security. While you can start Social Security payments as early as age 62, you won't get the full amount you have earned until your full retirement age. The full retirement age is 66 for most baby boomers and 67 for everyone born in 1960 or later. A worker born in 1965 who signs up for Social Security at age 62 will get monthly payments that are 30 percent smaller than if he or she waits until age 67 to begin collecting payments. "If you sign up before age 66 or your full retirement age, it is discounted, and you are basically shortchanging yourself of getting the full benefit that you earned. That discount carries through your entire life until you die," says Brent Neiser, a certified financial planner and a senior director at the National Endowment for Financial Education in Denver. Checks further increase by 8 percent for each year you delay claiming up until age 70. "Try to make your Social Security payment as large as possible when you claim it because you are going to have this lasting

payment over time," Neiser says. After age 70, there is no additional benefit for waiting to claim Social Security.

Meeting Medicare's deadlines. The standard Medicare Part B premium is $104.90 per month in 2013 for all retirees who earn less than $85,000 ($170,000 for couples). To pay this premium, you need to sign up for Medicare during the seven-month initial enrollment period that begins three months before you turn 65 and lasts until three months after your 65th birthday. If you sign up later, your Part B premiums will increase by 10 percent for each 12-month period of delay. "If you do not sign up during your initial eligibility period and you sign up later on, there is a penalty that you have to pay that stays with you the rest of your time you have Medicare," says Nicole Duritz, vice president for health and family at AARP. If you or your spouse is covered by a group health plan due to your current employment, you need to sign up within eight months of leaving the job or the coverage ending to avoid paying higher premiums.

[Read: How to Retire With $1 Million.]

The age you retire. The age you retire has a huge impact on how much money you can safely spend each year. If you retire at 65 and live until 95, your retirement savings need to provide enough income to finance 30 years of retirement. If you delay retirement until age 70 and live the same number of years, you will only need to pay for 25 years of retirement beyond what Social Security provides. Even a part-time job can allow you to draw down your savings more slowly. "For a lot of people, the definition of retirement is not 'not working,' but not doing what they don't like and doing some kind of work that they love," says Christopher Jones, a certified financial planner for Sparrow Wealth Management in Las Vegas.

Remembering to take required minimum distributions. Beginning after age 70½, you are required to take withdrawals from traditional retirement accounts. People who fail to withdraw the correct amount could incur a stiff 50 percent tax penalty on the amount that should have been withdrawn in addition to regular income tax on the withdrawal. A worker in the 15 percent tax bracket who misses a $5,000 401(k) withdrawal could incur a tax penalty of $3,250, including the 50 percent penalty and 15 percent regular income tax. If he had instead taken the distribution, he would have paid $750 in regular income tax on the withdrawal.