

The New Gradual Retirement

Working a little (or a lot) after 60 may become the norm.

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Do we really want to retire at 65? Not according to the latest annual retirement survey from the Transamerica Center for Retirement Studies which gauges the outlook of American workers. It found that 51 percent of us plan to work part-time once retired. Moreover, 64 percent of workers 60 and older wanted to work at least a little after 65 and 18 percent had no intention of retiring.¹

Are financial needs shaping these responses? Not entirely. While 61 percent of all those polled in the Transamerica survey cited income and employer-sponsored health benefits as major reasons to stay employed in the “third act” of life, 34 percent of respondents said they wanted to keep working because they enjoy their occupation or like the social and mental engagement of the workplace.¹

It seems “retirement” and “work” are no longer mutually exclusive. Not all of us have sufficiently large retirement nest eggs, so we strive to stay employed – to let our savings compound a little more, and to leave us with fewer years of retirement to fund.

We want to keep working into our mid-sixties because of two other realities as well. If you are a baby boomer and you retire before age 66 (or 67, in the case of those born 1960 and later), your monthly Social Security benefits will be smaller than if you had worked until full retirement age. Additionally, we can qualify for Medicare at age 65.^{2,3}

We are sometimes cautioned that working too much in retirement may result in our Social Security benefits being taxed – but is there really such a thing as “too much” retirement income?

Income aside, there is another question we all face as retirement approaches.

How much control will we have over our retirement transition? In the Transamerica survey, 41 percent of respondents saw themselves making a gradual entry into retirement, shifting from full-time employment to part-time employment or another kind of work in their sixties.¹

Is that thinking realistic? It may or may not be. A recent Gallup survey of retirees found that 67 percent had left the workforce before age 65; just 18 percent had managed to work longer. Recent research from the Employee Benefit Retirement Institute fielded roughly the same results: 14 percent of retirees kept working after 65 and about half had been forced to stop working earlier than they planned due to layoffs, health issues or eldercare responsibilities.³

If you do want to make a gradual retirement transition, what might help you do it? First of all, work on maintaining your health. The second priority: maintain and enhance your skill set, so that your prospects for employment in your sixties are not reduced by separation from the latest technologies. Keep networking. Think about Plan B: if you are unable to continue working in your chosen career even part-time, what prospects might you have for creating income through

financial decisions, self-employment or in other lines of work? How can you reduce your monthly expenses?

Easing out of work & into retirement may be the new normal. Pessimistic analysts contend that many baby boomers will not be able to keep working past 65, no matter their aspirations. They may be wrong – just as this active, ambitious generation has changed America, it may also change the definition of retirement.

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Citations.

1 - forbes.com/sites/laurashin/2015/05/05/why-the-new-retirement-involves-working-past-65/ [5/5/15]

2 - ssa.gov/retire2/agereduction.htm [6/11/15]

3 - money.usnews.com/money/blogs/planning-to-retire/2015/05/22/how-to-pick-the-optimal-retirement-age [5/22/15]