The New Place to Spend Retirement: At Work
May 2008

"Have you given much thought to what kind of job you want after you retire?"

Submitted by Kerri Sullivan-Kreiss, CFP®

Despite the enduring image that marketers portray of retirees lounging on the beach, the reality is that a greater number of older workers are in the labor force than ever before.

According to the Employee Benefit Research Institute, 45 percent of people ages 65-69 are still working as well.

Americans of retirement age opt to stay in the working world for many reasons. For some, work is their life-blood; they simply love their careers and can't imagine what they'd do if they weren't working. Some are not quite ready to retire and are looking to transition to part-time status. For others, retirement presents an opportunity to fulfill a dream of starting their own business. The reality is that as a population, Americans are living longer and taking better care of themselves. As a result is retirement is being redefined. With retirement lasting 20 years or more for some, it is now being viewed by many as a period of opportunity – a chance to do something meaningful and fulfilling.

Some people, however, may not find working into their retirement years a matter of choice. They may need to keep working to add to their savings, keep their insurance coverage, or attain their full retirement age to receive their full social security benefits.

Employers may also find it necessary and beneficial to retain their older workers. Nearly 80 million baby boomers are facing retirement, yet there are only about 50 million Gen-Xers to fill those job places in the workforce. Companies are discovering that they need to keep their experienced workers as long as possible and are more amenable to part-time, consultative, or job-sharing arrangements to retain skilled workers.

Whether it's desire or necessity that lead you to consider working during your "golden years", there are several financial considerations to be aware of:

Your Ability to Meet Financial Independence Goals: According to the Congressional Budget Office, each year a person of at least age 62 postpones retirement, he or she reduces their need to increase his or her retirement savings about 5 percent. It also gives that individual more time to earn interest on assets he or she has already accumulated. And getting health coverage, even if an employer only partially subsidizes it, can save you hundreds of dollars a month.

Your Social Security Benefits: Depending on your financial situation, you may find it best to wait until you reach your full retirement age to start collecting social security. If you start receiving social security before you reach full retirement age, your total benefits may be drastically reduced: for every $2 your earn over $13,650, you will reduce your social security by $1. This applies to work income, not income from your investments, pensions, annuities, capital gains, or interest. If you are married your spouse may want to delay receiving his or her benefits to reduce your total income for tax purposes and to provide a future income stream.

The good news is that once you reach your full retirement age, you can work as much as you want without reducing your social security. Visit http://www.socialsecurity.gov/retire2/agereduction.htm to find your full retirement age.

Risks and Rewards of Becoming an Entrepreneur: If becoming an entrepreneur is part of your retirement plan, be sure to have a well thought out business plan. Starting a business can be an expensive and labor intensive

proposition. Be sure that you have a thorough and realistic understanding of what it is going to take to make your business venture a success.

As a business owner, you may be able to deduct everyday expenses like work-related phone usage, a new computer, office space rentals, and travel expenses. Plus, you can open up a new retirement plan to contribute to it. Simplified Employee Pensions (SEPS), Savings Incentive Match Plans for Employees (SIMPLEs), and qualified plans such as SoloKs and profit sharing plans are designed to benefit small businesses and sole proprietorships. They have the same advantage of tax-deferred growth plans, like 401(k)s and 403(b)s, and contributions are tax-deductible. Your own business could match the contributions you, as an employee, might make.

Tax Implications and Pension Offsets: Take care that your extra income from working doesn't bump you into a higher tax bracket. Chances are your retirement income is probably coming from multiple sources, such as a pension, 401(k), IRA, and social security. If you are older than age 70 ½ you are likely taking the required minimum distribution (RMD) from your retirement plan accounts as well. Add a paycheck to that mix and you might be making more money than you thought. This can also expose more of your social security benefits to income tax. In addition, if you are or were a state or public employee, check with your retirement board to determine if you are subject to income restrictions or if earned income will offset your pension.

The decision to work or not during retirement should play a meaningful role in your retirement planning process. Forethought and careful planning on your part-along with the guidance of your trusted financial advisor- should allow you to address specific questions and concerns so that you can maximize your ability to reach your financial independence goals.

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