

Retirement Watch

Help clients navigate new landscape

Continued work - sometimes in a new field - is becoming the norm and requires planning

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By **David Baxter**

Retirement used to mean the end of work, but not anymore. A recent national study by **Merrill Lynch** and Age Wave found that nearly half (47%) of today's retirees say they either have worked or plan to work during their retirement. And fully 72% of preretirees say they want to keep working after they retire.

Continuing to work can have important implications for retirement timing and lifestyle, including the amount of savings needed, income management, where to live, and payouts of Medicare and Social Security benefits.

And yet, just one-sixth of clients in the Merrill Lynch study say they have had an in-depth discussion with their financial adviser about whether they plan to work in retirement. Those plans are a missing — and an important — part of retirement preparation for many.

REINVENTING LATER LIFE

Retirement used to be simpler. Traditionally, later life had two phases: preretirement and retirement, which usually meant a time for leisure and relaxation. But as a growing number of people continue to work longer, they are redrawing the retirement map to include four distinct phases:

Phase 1: Preretirement.

For many clients, preretirement is not about winding down but about exploring new directions. In the two years before retirement, 54% of those who want to continue working will research and develop strategies for their next career move.

Phase 2: Career intermission.

Fifty-two percent of working retirees took a break just after they retired, and the average career intermission is roughly two and a half years. People use this time to recharge and retool, and many seek out resources and guidance for continuing to work.

But getting out of the game has downsides. Retirees say the biggest challenge of re-entering the workforce after time off is “skills slippage.” In addition, it can take almost twice as long for older workers to find employment.

Phase 3: Re-engagement.

In this phase — nine years on average — many retirees return to work. But work at this point of life is often quite different from what it looked like before retirement. Most retirees say they work with unprecedented freedom and flexibility, and on their own terms.

Eighty-three percent of retirees are employed part-time, one-third own their own business or are self-employed, and three in five venture into a completely new field. Though the extra income can come in handy, retirees are four times as likely to say they are continuing to work because they want to rather than because they must.

Phase 4: Leisure.

Shifting from a mix of work and leisure, retirees in this phase have stopped working altogether. They view this period in their lives as an opportunity to concentrate on other priorities.

As an adviser, you can play an important role in helping your clients understand the benefits and pitfalls, and to develop strategies to achieve a fulfilling retirement career. Talk with your clients — particularly in the few years before and after they retire — about whether they will keep working.

Help clients envision and prepare for continued work by expanding their business network, taking classes or volunteering, or working part-time in a field related to what they may want to do. Those activities can help them achieve the retirement career to which they aspire.

ESTIMATE INCOME

Estimate potential income from continued work as part of clients' overall retirement plan.

Unlike income from some other sources, that from working can help retirees keep pace with inflation.

Also consider that health challenges could force clients to stop working earlier than they expect.

And be sure to explain how working can affect Social Security, Medicare and other benefits.

For example, Social Security may be temporarily reduced or withheld for people who collect benefits and work before they reach full retirement age (66 or 67).

In addition, Medicare beneficiaries with higher income pay bigger premiums for Part B and prescription drug coverage.

Encourage your clients to consider both the financial and nonfinancial benefits of work. Regardless of their employment status, most retirees agree that working helps them stay healthier, happier and more youthful.

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