



New Plan: Retirees Want a Post-Career

By: Kenneth Corbin | 06/05/14

WASHINGTON -- Financial advisors should consider a new source of income for their clients as they develop a retirement plan: getting a job.

According to a new survey by Merrill Lynch, most Boomers want more from their post-career years than Caribbean cruises and early tee times, with nearly three-quarters of pre-retirees aged 50 or older saying that an ideal retirement would include some form of work.

Advisors, in particular, should take note of what Merrill is calling the "new retirement workscape," as they help clients plan for life after their primary career winds down, argues David Tyrie, head of Retirement and Personal Wealth Solutions for Bank of America Merrill Lynch.

"Advisors cannot be effective with their clients unless they acutely understand the new role of work and retirement," Tyrie told reporters on a conference call. "We're dealing with a very, very big topic, and if you can't understand this new role, how can you be effective?"

To that end, Merrill is incorporating the findings of its latest survey, which polled more than 7,000 respondents across a range of age and wealth levels, into its advisor training programs. Ultimately, Tyrie says, the firm is expecting that the increasing interest retirees are expressing in starting a second career or working part time in their later years will reshape advisors' fundamental approach to retirement planning.

In part, the growing focus on work is a product of rising life expectancies. When more and more people are living in good health into their 90s, the prospect of 20 to 30 years of leisure doesn't sit well with many workers who approaching retirement age.

Longer life expectancies are "transforming the dialogue that wealth managers have with their clients," says Andy Sieg, head of Global Wealth and Retirement Solutions for Bank of America Merrill Lynch. "In many ways, wealth management has become an industry that revolves around longevity."

That's not to say that those conversations are happening to the extent that they should, says Ken Dychtwald, president and CEO of Age Wave, a research and education consultancy focusing on population aging that partnered with Merrill on the new survey. Dychtwald notes that of the respondents who said that they work with a financial professional, 85% said that they hadn't had a conversation with their advisor about their "hopes and dreams" for retirement.

"A lot of people kind of wander into retirement without having thought about it all," Dychtwald says.

Financial planners also have an important role to play in helping their clients navigate some of the ways in which their post-career work plans could change their entitlement situation, Dychtwald says. Work that offers health insurance could change their Medicare benefits, for instance. Or, to what extent can they plan to rely on their pensions or other income sources should they opt to start a new business?

"You might have a new equation," he says. "The important point is to understand that new equation."

The authors of a report based on the survey findings reimagine the retirement lifecycle in the context of an increasing emphasis on work. Around five years before formal retirement, more than a third of respondents who want to work in the future say they begin positioning themselves for the next phase of their working lives. But before moving on to a second career, slightly more than half (52%) take a break, an average of two-and-a-half years, to relax and retool. Then, once they head back to work, most post-retirees gravitate toward "flex-careers" like part-time work or self-employment that offer a less rigid schedule than their prior career. After an average nine-year "reengagement" period back in the workplace, retirees go off the employment rolls permanently, and transition into what Merrill calls the "leisure" phase.

The survey also takes aim at a central concern of those who warn of a looming retirement crisis brought on by poor planning and inadequate savings: that older people are working longer out of financial necessity. Respondents cited money as an important factor in their decision to remain in the workforce, to be sure, but among retirees who had gone back to work, 62% said they did so to remain "mentally active," compared to the 31% who said they did it for the money.

That finding was "very consistent across income and wealth levels in the survey," Sieg says. "It's very interesting ... to see that this theme that individuals are working because they want to rather than they have to holds up."

Respondents identified numerous other reasons for choosing to return to work, including a sense of pride, fulfillment, social contact and keeping busy.

The authors of the report grouped the working retirees into four categories. The "earnest earners," those who continued to work only because they needed the money (and, not surprisingly, the most disgruntled segment), made up just 28% of the respondents.

Then the "driven achievers," at 15% of the respondents, who tend to describe themselves as workaholics who feel they are still at the "top of their game." The largest group, at 33%, were dubbed the "caring contributors," who are generally satisfied with their work, and of whom two-fifths went to work for a non-profit.

Finally, the "life balancers," 24% of the cohort, find value in the friendships and social connections found in the workplace, and also report high levels of work satisfaction.

Of the respondents who are currently retired, a slim majority at 53% say they have no plans to work in retirement, compared to just 28% among pre-retirees who were polled, suggesting that a working life after retirement is bound to become the preferred option for successive generations.

"Working in retirement is likely to become even more commonplace as these Gen Xers and these Millennials ... reach their retirement years," Tyrie says.

"Retirement used to mean the end of work, and that's not so anymore," says Sieg. "Our research suggests that we're at a tipping point, with the majority of people seeking to work after they retire."

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