



Work Never Ends

By: Karen Demasters | September 2, 2014

Even the rich aren't immune to the recent trend of people working well into their retirement years.

In fact, wealthy people are twice as likely to continue working past retirement than those with more modest savings, according to a Merrill Lynch survey.

Financial advisors say this isn't as surprising as it may seem. The same attributes that make a person successful and wealthy, they say, are the characteristics that make them want to keep working past the traditional retirement age.

"The wealthy people who are working in retirement are often those people who have become successful in the first place because they love what they do," says Eric Thorne, senior vice president at Bryn Mawr Trust, a wealth management and investment firm based in Bryn Mawr, Pa.

Advisors also say the concept of retirement has changed drastically and is being redefined by baby boomers; it no longer means a time when someone stops working.

Fifteen percent of retirees with \$250,000 or less are still working during what would be considered retirement years, according to the Merrill Lynch retirement study released in June.

In comparison, 33% of retirees with \$1 million to \$5 million in assets and 29% of those with \$5 million or more are still working. The survey included responses from more than 7,000 individuals.

The survey indicated that rich retirees are more likely to work because they want to, rather than because they have to, and that they are more likely to be working for themselves in retirement.

"These people do not feel like they are working and they cannot imagine life without a job," Thorne says. "They are still committed to growing their businesses even though they could retire."

Thorne also notes there's a psychological aspect to working past retirement: Some wealthy people continue to work because they are constantly worried about running out of money, no matter how much they have.

“The idea of having their income stream cut off is scary to them,” he says.

But he advises such clients that if they don't like the work they are doing in retirement, they should stop. They will never run out of money based on their current lifestyle, no matter how long they live.

Wealthy people who continue to work can continue to be aggressive in their investments, advisors note. They can make decisions based on tax planning and gifting and start thinking about the next generation.

“Retirement is now an anachronism: It is a 1930s concept,” says Charles D. Haines, founder of Charles D. Haines LLC, an RIA in Birmingham, Ala. “People, including the wealthy, strive for fulfillment and self-identification and working can be a part of that.”

When his clients are on the verge of retirement, Haines asks them what their purpose in life is and how they want to be remembered.

Some want to continue to exert influence in a particular field or in politics and public life, and that may involve continuing to work for the publicly owned company that made them wealthy in the first place, he says.

“We are located in the Bible Belt and work here is holy to many people,” says Haines. “It is a sin to let your talents lie fallow.” Using those talents can involve the same type of work that the person built a career in, or it can mean a shift to a new field, he says.

The Merrill Lynch survey found that about half of affluent retirees return to work in their career field, while half switch to something new.

“Most wealthy clients are not looking at what they need in terms of money, because they have enough of that. They are looking at what they want to do with the money and the time they now have,” says Susan Erb, a senior vice president with Merrill Lynch, who works with clients who have an average of \$8 million to \$10 million in assets.

“I do not have any clients who have quit doing everything and I do not see any of them quitting anytime soon,” she says.

Susan Acker, a Merrill Lynch wealth advisor based in Pittsford, N.Y., says most retirees need an intermission when their career ends, but then they jump back into working. “Successful people cannot imagine not being engaged with life for the next 20 or 30 years of retirement,” she says. “They feel they are very accomplished and they want to do something with that experience and expertise.”

Acker has one affluent client who has taken his years in the military and experience in starting two businesses to do consulting on leadership and business building. “He is actually working more hours now than he did before he retired,” she says.

Another of her clients is a retired judge who now works with developing countries to teach them about the U.S. judicial system. One retired marketing specialist is now teaching executives about marketing.

“They are finding fulfilling work on their own terms,” Acker says.

Amanda Gift, principal and client strategist at Signature, a family wealth management firm in Norfolk, Richmond and Charlottesville, Va., with \$3 billion in AUM, says none of her clients have indulged in just leisure activities after officially entering retirement.

“It is about 50/50 for people going back to the same career and ones who want to give back to the community or undertake some other new activity,” Gift says. “For them, it is not about the money; it is a manifestation of their skills and talents. Wealth creators want to instill their same values about working in the following generations, and it is hard for them to do that if they are not working.”

Financial advisors also note that most clients who continue to work feel it keeps them mentally and physically alert. According to the Merrill Lynch study, 81% of affluent working retirees say that working in retirement helps people stay more youthful. When people do not work in retirement, 61% of the working retired say the non-workers’ physical abilities decline and 67% say their mental abilities decline.

“Baby boomers are once again redefining a life stage,” says David Tyrie, head of retirement and personal wealth solutions for Bank of America Merrill Lynch.

“They’re blazing a new path through retirement that is more fulfilling, stimulating and financially viable for themselves and their families. Advisors cannot serve their clients if they do not understand this new role of retirement.”

Original URL: <http://www.fa-mag.com/news/work-never-ends-19039.html?section=49&page=2>