

What if Your Employer Doesn't Want You to Retire? Planning for a Second – or Third – Career Act

The mass Baby Boomer retirement anticipated over the next 20-30 years is expected to create an overall U.S. labor shortage of 35 million workers. That's potentially good news for future retirees who either want to work or need to work due to the recent investment downturn.

A recent study by Hewitt Associates showed that out of 140 mid-size and large employers, 55 percent already had evaluated the impact that potential retirements could have on their organization, and 61 percent have developed or will develop special programs to retain targeted, near-retirement employees. Only one in five said that phased retirement is critical to their company's human resources strategy today; that number more than triples to 61 percent when employers look ahead 5 years.

Phased retirement might be one of the great opportunities to repair the retirement debacle so many have suffered.

What's phased retirement? Conventionally, it's the process of allowing employees who have reached 59 ½ to cut their hours while voluntarily receiving a pro-rata portion of their pension annuities. The company gets to keep its intellectual capital in place a little longer while the worker gets to segue into retirement gradually while accessing some of their retirement assets along the way. Provisions in the Pension Protection Act of 2006 made it easier for companies to create phased retirement strategies. Hewitt said that in addition to retaining current employees, employers are reconsidering their policies toward rehiring retirees. While 45 percent indicated they currently have policies in place that limit the ability to rehire retirees, 46 percent said they would likely to review their rehiring policies in the future.

What kind of consideration process should you undertake if your employer offers this option? A good first step is to consult a CERTIFIED FINANCIAL PLANNER™ professional to talk through the possibilities.

Envision how a phased retirement or return to your workplace would affect your life: If you're reviewing your retirement planning at any age, it makes sense to ask yourself under what conditions you'd leave the workplace or return to it. If you were offered phased retirement, how would you deal with the cutback in responsibility and hours? Some people thrive on work relationships and might not know what to do with significant time outside the office. You obviously need to know based on current projections how much money you're likely to gather from savings and other retirement resources. Then you need to consider how much money you'd be satisfied making in your post-retirement working life and for how many years you'll earn that income.

See if there's an opportunity to reshape a job or design a position from scratch: Older workers may not have the energy of their 20 and 30-year-old brethren, or maybe they just don't want to spend their energy the same way. Older workers should be proactive about suggesting

particular work structures that meet the company's needs while accommodating the worker's personal objectives. Telecommuting, flex time, shortened hours – these are options that might work as well for older workers as the rest of the remaining team.

Check what returning to work will do to your total retirement income: You obviously need to know based on current projections how much money you're likely to gather from savings and other retirement resources. Then you need to consider how much money you'd be satisfied making in your post-retirement working life and for how many years you'll earn that income. Early retirement transitions can have some adverse effects particularly where pensions are involved. But if the place where you spent your career comes calling, you might get some attractive pension incentives to get people to come back. Talk these options over with both financial and tax experts.

Can you negotiate for benefits? If you're investigating post-retirement employers, including your own, see what benefits you'll qualify for, and take a close look at educational benefits that may allow you to upgrade your skills for free. If your company will pay you to go to school and give you the time to actually work on a degree, that might be a very nice incentive indeed.

Consider insurance issues: If you are a retiree returning to the workforce and you're already receiving Medicare or covered by a "Medigap" policy, you may be able to lower your costs or improve your coverage by accepting group coverage as primary underwriter of their medical expenses. Since people over age 55 are generally the greatest users of the healthcare system, coverage issues are particularly important to run by a financial expert.

Can you add to your existing pension? Some governments allow returning employees who have already retired to earn additional pension benefits or otherwise enhance their retirement nest egg. Make sure you understand what these opportunities might be and get some advice on how it might affect your own finances.

Keep saving: If you return to the workplace, see what you can do to take advantage of any new wrinkles in your employer's 401(k) plan or any other tax-advantaged retirement savings benefits, particularly if they match your contribution. Don't miss a chance to enhance your retirement savings, even if you've already retired once.