

As Worker Shortage Increases, So Will Incentives to Keep Boomers on the Job

For several years now, various agencies and academics have predicted a systemic labor shortage that will create a labor shortage over the next 25-30 years as the gap between Baby Boomers and entrants of college-educated workers widens due to the Boomers' mass retirements.

There are plenty of arguments over this theory, but employers are acting now to keep older workers in their jobs just a little longer. Some Boomers are finding out their bosses don't want them to retire or are willing to make interesting compromises to give them an incentive to stay on full- or part-time. In a survey of older workers in the July 2008 *EBRI Issue Brief*, published by the nonpartisan Employee Benefit Research Institute (EBRI), 29 percent of workers said that feeling truly needed for an assignment was one of the top three most effective draws for staying on the job. Other incentives that ranked highly include:

- Receiving a full pension while working part time
- A pay increase
- Continuing company-subsidized health insurance at the same level as full-time workers
- Receiving a partial pension while working part time.

So what would convince you to stay on the job or un-retire if your employer comes calling again? It makes sense to talk over such issues with a tax professional and a financial planner. No matter what the incentives put in front of you, there are key issues to consider:

Make working retirement a variable in your planning: If you're 5-10 years away from retirement and reviewing your retirement thinking so far, it makes sense to ask yourself under what conditions you'd return to the workplace. 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.

Consider how a return to the workplace will affect you personally and socially: If you're 40, 50 or 60, working right now probably feels like breathing – when have you not worked? But it may not be the best option after a year or two out of the workplace.

How will it affect your taxes? Tax issues shouldn't determine your ambitions and goals, but it's important to consider the impact work-related income will have on your retirement. Many retirees find that it doesn't take much post-retirement, work-related income to tip them into a higher bracket. Look for ways to control the taxes you'll ultimately pay, including continued participation in qualified plans, IRAs, and other tax-favored accumulation vehicles and using annuity income to fill the gap between the beginning of the "post-retirement" period and the age when full Social Security benefits can be drawn without an offset for employment income.

Consider what earnings will do to all your retirement payments: If you are planning to work, consider not only the tax impact, but also how that might change the way you plan to draw on your retirement savings and investments as well as Social Security. If you are planning to work, it's important you consider delaying receipt of those benefits for as long as you can.

Look at all the incentives: The top incentives luring experienced workers back to the workplace may be very attractive to you, or not attractive at all. Do some thinking about this. If you get the call, be prepared with a counterproposal of what would really convince you to come back.

Consider insurance issues: If a retiree returning to the workforce is already receiving Medicare or covered by a "Medigap" policy, they may be able to lower their costs or improve their 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.

Keep saving: If you return to the workplace, see what you can do to take advantage of your new employer's 401(k) plan or any other tax-advantaged retirement savings benefit, particularly if an employer matches your contribution. Don't miss a chance to enhance your retirement savings.