

## *Financially Speaking*

With Trisha Arndt, CFP®

### The new place to retire – at work

Throughout my high school and college years I worked for a small, privately owned grocery store very similar to our own Miller and Sons. I did a number of jobs over the years ranging from cashier to cleaning shelves to making holiday fruit baskets. It was an excellent way to earn some money and learn customer service skills and I was only one of a number of young people who worked there. In fact, on weekends or after 4:00pm you were hard pressed to find anyone working there over the age of 25.

Boy have times changed.

I visited that grocery store on a Saturday recently and it immediately jumped out at me that the workforce dynamic had radically changed. Instead of high school students checking people out there were a couple of mature adults, at least one of whom I know retired a few years ago.

Despite the image that marketers portray of contented retirees lounging on the beach, there are more older workers in the labor force than ever before. According to the Employee Benefit Research Institute forty-five percent of people age 55 and older are still in the workplace and a whopping twenty-nine percent of people ages 65-69 are still working.

There are many reasons that people of retirement age opt to keep working to some degree. For many the reason is financial as more and more people face the changing retirement landscape. Unlike the generation before, today's retirees rarely have generous pension benefits to fund their retirement. In fact, a high number have never participated in a solely employer funded plan such as that. Unfortunately, many realized too late in life that they would need to save significantly to supplement their social security benefits and now find that they need to continue working.

For others the reason is much more psychological. As we live longer and take better care of ourselves more and more people find that they just aren't ready to completely slow down. In today's world retirement can last 20 years or longer and many people want something meaningful to do to fill that time.

It's not all about the retirees though. From the employer's standpoint it's becoming increasingly important – almost necessary – to hang on to older workers. Nearly 80 million baby boomers are facing retirement, but there are only 50 million Gen-Exers to fill the boomers' jobs. Companies are discovering that they need to keep experienced employees as long as possible and are more amenable to part-time, consultative or job-sharing arrangements for skilled workers.

When considering whether to prolong your working life it is important to be aware of all of the financial implications of that decision.

The benefits of continuing to make money from employment can be many. It can allow you to continue saving money for retirement or, if you choose to retire from your primary job and do something else, it can reduce the amount you need to withdraw from your savings. In either case it can give you more time to potentially earn interest on the assets you have already accumulated. And don't underestimate the value of continuing to get health insurance through an employer. Even if the employer only partially subsidizes it you can save hundreds of dollars per month.

What isn't perhaps so obvious are the potentially risky consequences of earning a paycheck in retirement.

For instance, if you begin drawing social security benefits before your full retirement age, yet continue to work, your social security benefits may be drastically reduced: for every \$2 you earn over the annual threshold (currently \$13,560), your social security benefit will be reduced by \$1. Once you have reached full retirement age you can work as much as you want without reducing your social security benefit. Visit [www.socialsecurity.org](http://www.socialsecurity.org) to find your full retirement age and learn more.

Additional income in retirement may also affect the marginal tax bracket you are in as well as what portion, if any, of your social security benefits are subject to income tax. It's important that you review these issues with a qualified tax or retirement advisor before making your decision.

The next time you visit an establishment and are greeted by a mature adult remember to thank them for their continuing help. Our society only benefits from their ongoing work.

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