

## What's a Post-Retirement Job Worth?

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It's time to retire, your nest egg is in place, and you could drive the route to your favorite golf course blindfolded. Yet while you may have enough money to take care of your needs during retirement, what would happen if you worked a little longer? What impact would a few more years in the workforce, perhaps at a part-time job, have on your situation?

Could it make the difference between just getting by during your later years and living very comfortably, between exhausting your savings and having something left to give to your kids?

Working one additional year at your current job will boost your annual retirement income by an average of 9%, according to a recent study by The Retirement Policy Center at the Urban Institute. Staying on the job five extra years adds an average of 56%.

And increasing your ultimate retirement "paycheck" isn't the only benefit of postponing your exit from the workaday world. It might also increase Social Security and pension benefits, and by working longer, you shorten the time during which you must depend on your retirement savings.

But what if you're anxious to leave your old job? You could try something new, maybe a little less stressful, and even if your salary dropped sharply, you might improve your long-term financial outlook.

Consider Jack and Jill, a fictional couple retiring this year. Jack is 68 and Jill is 67. They're millionaires, but just barely, with \$700,000 in an individual retirement account and \$300,000 in a taxable brokerage account.

The couple's goal is to generate \$40,000 a year from that nest egg, supplementing the nice pensions they both have as well as their Social Security benefits. To get there on an inflation-adjusted basis, their financial advisor has suggested an aggressive asset allocation plan that could potentially provide about a 6% average annual return.

In this scenario, despite an overly aggressive allocation plan, Jack and Jill are likely to spend all of their assets by the time they die. Jack's life expectancy is 91 and Jill's is 93.

But let's say Jack is worried about being bored and takes a part-time job as a night manager in a shoe store, earning \$25,000 a year. If he works at the shoe store for three years, what effect will that have on the couple's retirement picture?

Depending on their goals, such a change could allow them to choose among these options:

- Adding \$3,000 a year to their retirement income, bringing the total generated by their nest egg to \$43,000 a year during their expected lifetimes. That extra money could fund additional travel or nicer gifts for the kids and grandkids.
- Giving them a cushion of two extra years of income before their money runs out, assuming they continue to spend just \$40,000 a year.
- Passing along \$334,000 to their heirs, assuming they continue to spend just \$40,000 a year (taking inflation into account, along with the fact that the added income would allow the IRA assets to grow tax-deferred for an extra

year or so). This reflects the benefit of saving the additional part-time income to pass to their heirs, vs. consuming the additional income.

That's not a bad return on a low-stress, part-time job that still leaves Jack plenty of time to putter around on the golf course during the day.

Of course, gaining extra income isn't the only benefit of working longer. Because work and personal identity tend to be crucially intertwined, retiring sometimes leads to feelings of loss and even depression. Working keeps you involved with people and provides a social support system. And staying physically active is another bonus. In the Retirement Policy Center study, many of those who continued to work reported improved emotional well being and physical health.

Indeed, higher numbers of older people are remaining in or rejoining the work force. Between 1992 and 2007, participation rates for men age 62 to 64 increased from 41% to 51%, according to the Retirement Policy Center study. Men in the 65 to 69 age group increased their participation rate from 22% to 34%. And older women, too, are staying on the job longer. Between 1988 and 2007, the work force participation rate among women age 55 to 61 increased from 44% to 64%, while women age 65 to 69 and those 70 and older doubled their participation rates, to 26% and 8%, respectively.

(A note about taxes: Since the taxable portion of your Social Security benefits depends on the amount of other income you have, continuing to work may make more of your benefits taxable than would have been the case. However, the taxable amount is based on your modified adjusted gross income along with half your Social Security benefits, so the addition of a part-time income is unlikely to have a consequential impact.)

### **Who's Still On The Job?**

Here are the proportions of older Americans still in the work force, broken down between full and part time.

<b>Work Status</b>	<b>Age 55-59</b>	<b>Age 66-70</b>
Full time (35 hours or more per week)	76%	39%
Part time (less than 35 hours per week)	24%	61%

Source: Metlife Mature Market Institute, 2006