

Consider Working in Retirement

By Cynthia Freedman

Some people discover retirement isn't what they anticipated, leaving them bored and constantly underfoot around the house. And studies show that older people who stay physically and mentally active have longer, happier, and healthier lives. Your emotional well-being can also improve as you engage with other people, make new friends, and become a part of your workplace community.

Personal fulfillment is just one reason to consider returning to work. For others, reentering the workforce provides a number of concrete benefits, especially in uncertain economic times:

- ✓ **Income:** Maybe you were downsized unexpectedly or your portfolio has lost value. Working in retirement can help make up the shortfall. Working part-time during retirement means you can reduce or delay withdrawals from your retirement nest egg. Earning \$20,000 a year in retirement is the equivalent of withdrawing a safe 4 percent per year from a \$500,000 nest egg. And if income isn't a pressing issue, working can boost your standard of living and provide a little more money to live that life of leisure you've always wanted.
- ✓ **Health insurance:** If you're looking for help on the insurance front, seek out employers that include part-timers in their group health plan. Healthcare expenses often rise during retirement years, and Medicare requires co-payments and deductibles and may not cover all your medical costs. You need a Medicare supplemental policy (at an additional fee) to help pay some of the healthcare costs not covered under the original Medicare plan.

You're not eligible for Medicare coverage until you're age 65. Although you may be able to continue your existing group health insurance under COBRA for up to 18 months, you'll lose any employer subsidy. Your only option may be an expensive individual policy. Getting a job with an employer who offers a group health plan benefit can cover that gap in your healthcare. Check with the benefits administrator of your employer to see how your group health insurance coordinates with Medicare.



Note the Drawbacks

Even if you want to go back to work, getting back on payroll may not be your best option. Here's why:

- ✓ **Current pension benefits:** If you're receiving an ongoing pension benefit, receiving employment income from another source may affect your benefit. Check with the pension benefit administrator to see what the impact will be. (This isn't an issue if you received a single lump-sum pension benefit.)
- ✓ **Leisure time:** If you're still working, you can't take off on a trip whenever you feel like it; you have to comply with the schedule constraints of your workplace. And when the holidays arrive, you may be the one who has to tend the store while your boss is home with his family.
- ✓ **Taxes:** If your job provides you with a high enough salary, you may be pushed into a higher income tax bracket. Contact a CPA, Enrolled Agent, or other qualified tax professional to see what impact working in retirement will have on your taxes.



As soon as you hit age 70½, you have to start taking your IRA Required Minimum Distributions (RMD), whether you're working or not. These distributions are taxed as ordinary income and are added to your other income when computing your total taxable income. And if you're receiving Social Security benefits, up to 85 percent of those benefits may become taxable, depending on your other income. Also, if you haven't yet reached your full Social Security retirement age, your Social Security benefit is reduced if your earnings are above a certain threshold.

If returning to the workforce isn't essential for your budget, consider volunteering. Many seniors gain the satisfaction of knowing they've made a significant impact on someone's life when they work in areas such as sports, tutoring programs for youth, or a women's shelter.

Make the Transition

So you've decided you want to work, but you don't want to go back to the same old grind you retired from, and you don't want to become a greeter at the local big box store. What should you do?

- ✓ **Consider your likes and dislikes.** Do you like to be with people, or do you like to work alone? Are you more productive when you focus on a single task, or do you need variety throughout your day? What social or philanthropic causes excite you? What hobbies are you passionate about?

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- ✔ **Assess your skills and strengths.** Think about your job skills in general terms to help you see how the skills can transfer to other industries. For example, an effective teacher may become a corporate trainer. Also consider personal skills. Are you organized? Do you speak well in front of groups?
- ✔ **Realistically consider your physical limitations.** Certain jobs may not be physically appropriate. Some older people start to lose their mental acuity and find it more difficult to learn new procedures, use a computer, or remember where specific items are located. (And your boss may not appreciate it if you need to take a nap every afternoon!)

For info about possible careers, see the Department of Labor Occupational Outlook Handbook (www.bls.gov/OCO), which lists training and education needed, earnings, expected job prospects, what workers do, and working conditions.

After you decide what you want to do, you can gear up to reenter the workforce:

- ✔ **Network.** Join a professional organization. E-mail friends and family, telling them about your plans and asking them whether they know of any openings or if they can introduce you to someone who works in your target field.
- ✔ **Gain any needed training or experience before you start the job.** Check course offerings at local colleges or an online university. Volunteering, interning, and working through a temp agency are all great ways to get experience.
- ✔ **Polish your resume.** Many books and articles discuss how to write a resume, what to expect in job interviews, and other job search issues. (Check out *Resumes For Dummies*, 5th Edition, by Joyce Lain Kennedy [Wiley] or visit www.dummies.com.)

After you find that dream job, enjoy. And remember that at some point, you'll be able to walk away from this job, too, and resume that date with leisure time.