

Often those reentering the workforce do so to pursue a passion or make a difference in the world. For others, returning to work after retirement can be a matter of necessity to make ends meet. Whatever your reason for going back to work, there are financial implications to rejoining the workforce. Be sure you understand what you will be gaining and giving up in terms of pension, Social Security, and health benefits to strike the right balance for your needs.

Use this worksheet to identify the possible financial consequences of going back to work and make an informed decision on your course of action.

To help you make a decision, this worksheet is divided into three parts:

- 1. Do I Need to Work?** This section will help you determine if you need to go back to work and how much money you need to make.
- 2. Job Factors.** This section will address other job factors that can affect you financially.
- 3. Returning to Work: The Payoff.** Using your answers from sections 1 and 2, the concluding section will help you calculate whether returning to work will pay off financially.

1. Do I Need to Work?

If you are thinking about going back to work to supplement your income, first get a good grasp of your current financial situation. Are you making ends meet? Do you have enough income coming in to pay your bills?

Calculate your current expenses and income with the Home Budget Calculator at www.aarp.org/money or fill out the summary version below.

Do you have enough income to meet expenses?

Yes No

If money is your main concern, try to find a job that pays wages and benefits that fill in your income gap. Also, look at ways to reduce your costs. Whether you

Monthly Income	Monthly Living Expenses	Income Gap
Social Security Benefits	Housing	
Retirement Plans	Utilities	
Salary/Wages	Food	
Investment Income	Transportation	
Other Income	Medical	
	Debt Repayment	
Total Monthly Income	Total Monthly Expenses	

have a shortfall in income or simply want to return to the workforce, here are some additional things to consider.

2. Job Factors

Do you know what kind of job you want? The status of your employment—full time or part time, permanent or contract—will affect your pay and benefits. Alternative work arrangements such as part time or consulting usually don't provide the comprehensive benefits that you were used to if you come from full-time, permanent employment. The benefits may be different even if you return to the same employer, particularly if your employee status has changed. At the same time, some alternative work situations do provide some benefits—there are part-time jobs, for example, that offer health benefits—so do your homework.

In addition to the paycheck, there are other factors that can add—or detract—from your financial bottom line. These include things like health benefits, other employee benefits, workplace retirement plans, Social Security, and the costs associated with returning to work. To help you figure out whether it pays to return to work, there is a space at the end of each factor below to write down the monthly savings or penalties. Estimate the amount if you don't know the exact figure. At the end, you can total up these numbers to see if returning to work makes sense and cents for you.

A. Health Benefits

Health Coverage—For people under age 65, health care coverage may be the primary motive for returning to work. In most cases, you can get more comprehensive and cheaper insurance through a group plan at work than you could purchase on your own. Be sure to check on whether you will be eligible for health insurance before you accept a position. Some employers even provide health benefits to part-time employees.

Medicare—Once you turn 65, you're automatically signed up for Medicare Part A (hospital insurance) and eligible for Part B (doctors' and outpatient services) if you are receiving Social Security or Railroad Retirement benefits. Medicare Part A doesn't cost you anything to sign up, and there are no premiums. If you decide not to enroll in Part B or Part D (prescription drugs) when you're first eligible and don't qualify for an exemption or special enrollment

period, you will have to pay a penalty if you decide to enroll later.

If you are on Medicare and decide to return to work, be sure to carefully consider how you are going to handle Medicare benefits. You can work while getting Medicare. Talk to your HR department, the Social Security Administration, and Medicare about how employer-based health coverage would work with Medicare.

Retiree Health Benefits—If you have retiree health benefits and go back to work, think carefully before switching to another plan. Retiree health coverage is rare these days, and you might not be able to get it back should you choose to cancel it. If you have retiree health care coverage in addition to Medicare, the rules about which health plan pays first can be confusing. Before making changes to your health care coverage, consult with your HR representative, as well as the Social Security Administration and Medicare. Be sure that you make a decision that puts you in the best position now and in the future in terms of costs and coverage.

Health Care Savings: _____

For example, job A will save me \$300 in monthly premiums.

B. Other Employee Benefits

Returning to work may mean that you can get other employee benefits to boost or protect your income, such as:

- Dental insurance
- Vision insurance
- Life insurance
- Disability insurance
- Long-term care insurance
- Health and dependent care flexible spending accounts
- Transportation benefits
- Dependent daycare
- Tuition reimbursement

Check with any prospective employer about employee benefits before accepting a job.

Employee Benefit Savings: _____

For example, I will save \$100 monthly for dental work.

C. Workplace Retirement Plans

Penalties—Returning to work after retiring could impact your pension. Check with your HR representative and your pension plan provider to make sure you won't be hit with any penalties or have any problems accessing your pension fund if you return to work. This is especially important if you go back to work with your old employer.

Build Up Your Savings—On the plus side, by returning to work you can potentially contribute more to your pension for use later by earning additional retirement credits. You also may have the opportunity to contribute more to a 401(k) or an IRA.

Required Minimum Distribution—If you have a 401(k), you are normally required to begin minimum distributions from the account by age 70½. However, you can delay your minimum required distribution beyond 70½ if you go back to work with your former employer and participate in that 401(k) plan. This does not apply to IRAs or other 401(k) accounts you have with previous employers. By keeping your money in your 401(k), you can grow your retirement savings tax-deferred for a longer period of time.

Pension Penalty: _____

D. Social Security

Benefit Calculation—Your Social Security benefit is based on your highest 35 earning years. So returning to work could increase your monthly benefit. If you don't have enough earnings credits to be eligible for Social Security, you'll want to go back to work to gain eligibility.

Benefit Timing—When you decide to start receiving your benefit will impact the amount you receive:

- Age 62: the amount you receive will be reduced significantly. If you stop collecting benefits, you will need to fully repay Social Security all you've received. You can then later restart benefits at a higher rate when you reach full retirement age.
- Full retirement age (65-67, depending on the year you were born): you'll receive the regular benefit.
- After full retirement age: postponing Social Security will increase how much you get as an incentive to keep you working.

Working—Going back to work after you have started receiving Social Security will affect your Social Security benefit:

- Between 62 and your full retirement age (65-67): \$1 will be deducted from your Social Security benefit for every \$2 you earn above \$14,160 (2009 earnings limit). Think hard about starting Social Security before your full retirement age, especially if you plan on going back to work, because it can lower your monthly benefit for the rest of your life. If you return to work and withhold benefits, higher earnings would trigger an automatic recalculation and a higher benefit at full retirement age.
- In the year you reach your full retirement age: your benefits will be reduced \$1 for every \$3 you earn over \$37,680 (2009) until the month you reach full retirement age.
- Full retirement age (65-67) to age 70: there's no reduction for working, another incentive to return to the workforce.

Social Security Penalty: _____

Go to www.ssa.gov to calculate any penalties by searching for "earnings limit calculator."

E. Cost of Working

Consider how much it will cost you to go back to work. There may be expenses for business clothing, transportation, caregiving, etc. Make sure that you come out ahead financially by going back to work, particularly if you go back to a part-time job or a job without benefits.

Cost of Working: _____

3. Returning to Work: The Payoff

The decision to return to work is a personal one. Each person's situation is different. For many people, financial concerns are the primary reason for returning to the workplace. To find out if a job will fill your income gap, fill out the simple calculation below using the answers from sections 1 and 2 above. It will give you a good snapshot of whether it makes financial sense for you to go back to work.

Step 1. Fill out the following table for each job you are considering. Enter a monthly dollar figure for every job factor that pertains to your situation. If you don't know the exact number, estimate the amount.

Positive Factors	\$(monthly)
Projected Wages	
+ Health Benefits (enter amount from 2A)	
+ Other Employee Benefits (enter amount from 2B)	
X = Subtotal of Positive Factors	
Negative Factors	
Negative Factors	
Pension Penalty (enter amount from 2C)	
+ Social Security Penalty (enter amount from 2D)	
+ Cost of Working (enter amount from 2E)	
Y = Subtotal of Negative Factors	
X – Y (Job Factors)	

Step 2. To find out if a job will be worthwhile financially, figure out:

Job Factors _____
 - Income Gap (from section 1) _____
 = _____

The job factors need to be larger than your income gap to make it financially worthwhile to go back to work at that job.

Resources

For more information, check out these resources:

- **Do I Need to Work?**—www.aarp.org/money; www.aarp.org/finance; www.kiplinger.com/tools/budget; <http://finance.yahoo.com/personal-finance>
- **Employment Status**—www.aarp.org/money/work; <http://career-advice.monster.com> (click on “careers at 50+”); www.commuterchallenge.org (calculators on telecommuting, costs of working)
- **Health Benefits**—www.aarp.org/health; www.medicare.gov; www.bankrate.com (search “retiree health benefits”)
- **Pension**—www.aarp.org/finance; www.pbpc.gov; www.pensionrights.org; www.investopedia.com (search for “pension”)
- **Other Employee Benefits** – www.ebri.org; www.dinkytown.net/java/HSABusiness.html (health savings account calculator)
- **Social Security**—www.ssa.gov

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