The Changing Nature of Retirement

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Overview

- Retirement
- Trends Changing Retirement
- Preparing for Retirement
- Factors in Retirement Satisfaction
Retirement Trends

• What is retirement?
  – Whether or not in paid labor force
  – Whether or not receive income from pension or Social Security

• How is retirement changing?

• Why is retirement changing?
• Working Retirement

• Bridge Employment

• Phased Retirement

Older Workers: National

- Nearly one in three U.S. workers will be 50+ by 2014

Projected Number of Workers Age 50+: 2005-2014

Older Workers: Virginia

• In a 2004 survey of VA employers by AARP, three in ten (30%) employers say more than half of all employees are 45+.
• 98% of VA businesses are small businesses
• 48% of VA residents work for small businesses

Trends Changing Retirement

- People are living longer
- People are working longer and expect to work longer
- Pensions are declining
- Savings are low
- Debt continues to grow among older Americans
- Healthcare and long-term care costs are rising
Life Expectancies at Age 65

• Men:
  – Can expect to live to 81
  – 17.5% will live past 90

• Women:
  – Can expect to live past 84
  – 31.4% will live past 90

• Age which average worker plans to retire has crept up from 62 in 1996 to 65 in 2006.

• Nearly half (47%) of pre-retirees 50-70 who expect to work past retirement age, plan to work in a different job.

Source: www.galluppoll.com/content/?ci=23497&pg=2.
• Three in five U.S. adults plan to work after reaching retirement age
  – 51% part-time
  – 12% full-time

• Top reasons
  – Enjoy working (43%)
  – For the money (19%)

Retirement Plans Have Changed

From…

• Defined Benefit – guaranteed % of pre-retirement wages based on years worked

To…

• Defined Contribution – such as (401(k)’s), workers make contribution, bear risks, no guaranteed return

Shift of the risk, responsibility, and cost
Number of Plans PBGC Insures (In Thousands)

Source: PBGC's “Pension Insurance Data Book 2004.” Counts include frozen and closed plans.
Percentage of Civilian Workers With a Defined Benefits Plan by Age

Percentage of Civilian Workers Without a Defined Benefits Plan

- 1987: 46.1%
- 1990: 47.4%
- 1995: 47.8%
- 2000: 51.6%
- 2004: 48.3%

Personal Savings

Reported Total Savings and Investments (Excluding Home and Defined Benefits) by Age

Debt

• Six in ten Americans households age 55+ have debt

• $51,791 average total debt

• $32,000 median debt

• Age 75+ account for most of the increase in debt

• Housing debt is a major factor

Percentage of American Families with Head of Household Age 55+ With Debt by Age, 1992-2004

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<tr>
<td>55-64</td>
<td>71.4%</td>
<td>74.0%</td>
<td>76.3%</td>
<td>76.2%</td>
<td>76.3%</td>
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<tr>
<td>65-74</td>
<td>51.5%</td>
<td>54.1%</td>
<td>51.9%</td>
<td>57.0%</td>
<td>58.5%</td>
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<tr>
<td>75+</td>
<td>31.9%</td>
<td>28.4%</td>
<td>25.0%</td>
<td>29.0%</td>
<td>40.3%</td>
</tr>
<tr>
<td>ALL 55+</td>
<td>53.8%</td>
<td>54.0%</td>
<td>53.0%</td>
<td>56.0%</td>
<td>60.6%</td>
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Health Care

• Fewer employers offering retiree coverage
  – Decrease from 22% to 13% among private employers

• Medicare covers only about half of retiree expenses

• Retirees could need as much as $295k to cover premiums and out-of-pocket expenses for a 20-year retirement

Three Pillars of Retirement Security

Social Security

Employer-Sponsored Retirement Plans

Personal Savings
Bottom Line: Americans will need to take charge of their own financial security in retirement
Retirement Preparation

- What is your vision of a successful retirement?
  - Structure
  - Community
  - Purpose

- Share your vision

Retirement Factors

- Lifestyle choices
  - Where you retire
  - Leisure activities
- Necessary income
  - 70-80% work income
- Length of retirement
  - Average 19 years
- Savings amount
  - 4% of assets yearly
- Health Care

Source: www.aarp.org/money
Specific Steps

- Start now, set goals, stick to them
- Know your retirement needs
- Learn about your employer’s pension or profit-sharing plan
- Contribute to a tax-sheltered savings plan
- Contribute to an IRA
- Don’t touch your savings
- Find out about your Social Security benefits

Start Early

Amount Accumulated Over Time Saving
$4,000 at 7% Annual Interest

Social Security

• The exact age you need to reach before being eligible for full retirement benefits depends on when you were born.
  – before 1938, at age 65
  – 1938-1959, between ages 65 and 67
  – after 1959, at age 67

• Permanent, reduced benefits as early as age 62

• Increased benefits if you wait until age 70

Source: www.aarp.org/money
• Four in five retired people—working or not—are satisfied with their lives
• What makes the difference in those who are satisfied and those who are not?
Retirement Satisfaction

Attitude

- “I plan a lot for my future”
- “There is little I can do to change important things in my life”

Financial Well-being

• “Very satisfied with current financial situation”

• “In control of finances”

Physical Health

- “Excellent, very good, or good health”
- “Have health insurance”
- “Exercise and eat a balanced diet”

Leisure

• “Great deal of control over leisure activities”

• “Very satisfied with personal relationships”

• “Satisfied with religious life”

• “Personal relationships better than expected or the same”

Regardless of age, gender, race, marital status, education, income, or mental and physical health, active retirees are more satisfied than inactive retirees.
• The age for receiving benefits without a reduction for early retirement has been raised. Instead of 62 years of age, most of today’s workers will need to retire at _____ or ____ in order to receive full benefits.

A. 65 or 66 years old  
B. 64 or 65 years old  
C. 66 or 67 years old
• In order to be secure in retirement, workers should look to replace how much of their pre-retirement income?

A. 35% to 40%
B. 55% to 60%
C. 70% to 80%
• What trend should impact the way Americans approach retirement savings?

A. More employers are offering pension benefits
B. Less employers are offering pension benefits
C. People are saving more
Retirement Quiz

• What should you do before deciding when to retire?

A. Consult a psychic  
B. Find out when your friends plan to retire  
C. Perform a retirement calculation at www.aarp.org/finance
• AARP
  – www.aarp.org

• Social Security Administration
  – www.socialsecurity.gov
  – (1.800.772.1213)

• Department of Labor Employee Benefits Security Administration
  – http://www.dol.gov/ebsa
  – (1.866.444.EBSA)

• Financial Calculators
  – http://fireseeker.com/

• Lifestyle Information
  – www.bestplaces.net
  – www.retirementliving.com