What are some financial benefits of delaying retirement or working in retirement?

Delaying retirement or continuing to work for an additional few years can be one of the best methods to improve your long-term financial security.

Working just a few more years can stretch your retirement savings.

What are some financial benefits of delaying or working in retirement?

Additional time spent working could:

- Help you have a steady stream of income, bringing financial peace of mind to your retirement.
- Help you reduce one of the biggest financial worries of retirement—healthcare costs—if your employer provides health insurance.
- Allow you more time to contribute to your retirement savings and let your existing account balance compound as a result of investment earnings.
- Enable you to "practice" retirement by taking longer vacations, and enjoy some of the freedom of retirement while holding on to your benefits and salary.
- Help you increase your savings. In fact, even if you stop contributing to your 401(k), your savings will benefit. Continuing to work means you will spend fewer years in retirement, so your savings won't have to last as long.
- Help you pay off debt. Working longer may help you become debt-free before you retire.

Carrying debt into retirement is becoming more and more common among baby boomers.[1]

- Increase your pension. If you are covered by a traditional pension plan, working longer could increase your benefits.
- Increase your monthly Social Security benefit.
  - Deferring Social Security to Full Retirement Age or later could increase your monthly benefit. Plus, you earn delayed retirement credits worth 8% per year for every year you postpone collecting benefits after your normal retirement age—currently 66—up to age 70.
  - For people who may have spent fewer full-time years in the workforce, additional years of employment could boost their earnings history and the resulting monthly benefit.
- Increase your quality of living in retirement. About 86% of those who retire at age 70 will be able maintain their standard of living in retirement; just half of all those who retire at age 66 will be able to do so.[2]

Are there any financial risks of working in retirement?

If you do choose to work in retirement, consider the possible financial implications:

- More work may increase your income sufficiently to boost you into a higher tax bracket.
- You could reduce your Social Security benefits. If you collect Social Security benefits before your full retirement age and continue to work, your benefits may be lowered. For 2013, your Social Security benefit will be reduced by $1 for

every $2 you earn above $15,120. A more generous earnings limit applies in the final months leading up to your 66th birthday, and the limit disappears once you reach your full retirement age.

- If you are covered by a pension and you decide to phase into retirement by cutting back on your hours or responsibilities, check with your human resources department first to see whether a lower final salary will reduce your pension benefits.

References:

1. "Boomers Carry Debts into Retirement." Aaron Levitt. MSN Money (2012). Available at http://money.msn.com/debt-management/boomers-carry-debts-into-retirement. Accessed February 27, 2013.
2. "Why You Should Plan to Work Until Age 70." Emily Brandon. U.S. News & World Report.com (2012). Available at http://money.usnews.com/money/retirement/articles/2012/07/09/why-you-should-plan-to-work-until-age-70. Accessed March 1, 2013.

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