

THE NEW “UN-RETIREMENT”

More retirees are planning to head back to work.
Will you be one of them?

Overview

In late 2022, Debbie,* age 62, was at a crossroads. She had retired a year earlier from her 39-year teaching career and had spent much of her first year in retirement taking care of her 5-year-old granddaughter, Bailey.

But now that Bailey was in full-day kindergarten, Debbie found herself with a little too much time on her hands. If she was honest, she was also a bit lonely: Her husband, Bill, was still working full time, so he wasn't around during the day. And many of her friends were also employed.

Debbie started volunteering two days a week at her church office, answering phones and helping church members. When the head pastor asked if she would be interested in turning the volunteer job into a paid part-time gig, she was somewhat surprised to hear one word immediately fly out of her mouth: “Yes.”

Working After Retirement

A recent report from payroll platform Paychex revealed that one in six retirees was thinking about going back to work. On average, these individuals had been retired for four years. Although their reasons for wanting to return to the workforce varied, they generally fell into one of five top categories:

- Personal reasons (57%)
- Needing more money (53%)
- Boredom (52%)
- Feeling lonely (45%)
- Inflation (45%)¹

Debbie, an extrovert, probably would have said her reasons for wanting the church job were boredom and loneliness. She also missed having a daily routine and a sense of purpose — and she felt the job would help address both of those things.

Since Bill still had a full-time paycheck, income wasn't a huge concern for Debbie. However, the money she would make at her new job would help offset some monthly bills, especially with the price of everything from gas to groceries rising significantly in the year after she'd retired.

An increasing number of Americans say they plan to return to the workforce at least part time after taking their “official” retirement. Their top reasons for returning: boredom, more income and the urge to pursue new interests.



Before accepting the job, however, Debbie had a conversation with Bill to make sure he was on board. The couple then called their financial advisor to find out how her going back to work might impact their retirement plan.

The Financial Considerations of Returning to Work

Although money wasn't one of Debbie's primary drivers for taking the job, their financial advisor pointed out one significant benefit: The income Debbie earned, combined with distributions from her Roth IRA, would allow her to continue postponing Social Security benefits until closer to her full retirement age. Her wages from the part-time job made up for any income shortfall that might have been covered by Social Security.

But let's say Debbie had started her Social Security benefits already. In this case, she would need to be aware of earnings limits. Social Security beneficiaries who haven't yet reached full retirement age have caps on how much they can earn before their benefits are reduced. For 2023, the cap is \$21,240, and benefits are reduced by \$1 for every \$2 earned above that limit.²

That number improves slightly in the year Social Security recipients reach full retirement age. During that year, Debbie would receive a deduction of \$1 in benefits for every \$3 earned above the limit. (In 2023, the limit for those reaching full retirement age is \$56,520.) Once she reached full retirement age, the limits would go away, and she could work — and earn — as much as she wants. (But she'll still pay taxes on that income!)³

There are other financial considerations when deciding to return to work after retirement. Some companies offer employees health insurance, which could be a big benefit for retirees who haven't reached the age of 65 and become eligible for Medicare. You may also be able to contribute to an employer-sponsored retirement plan, such as a 401(k) or 403(b), adding to your retirement savings. Plus, the income you earn from your job may allow you to postpone distributions from your existing retirement accounts, and you can let the money grow a little while longer.

The Emotional Side of Working in Retirement

During their meeting, Debbie and Bill were surprised when their advisor brought up not only the financial considerations but also the emotional ones. "Financial planning for the future isn't just



about money,” the advisor said. “It’s also about helping you figure out what kind of life you want to live in retirement — and then finding ways to get you there.”

For Debbie, the decision to take the part-time church job was driven more by emotional needs than financial. She had looked forward to retirement for so long, so she was surprised to discover how adrift she felt without a daily structure and routine. And after teaching for so long, she missed being needed by others — not an unusual feeling for retirees, especially those who work in “helping” roles.

Still, Debbie didn’t just want to jump into new work without considering how it might impact their day-to-day lives. The couple had talked at length about traveling extensively once Bill retired, but that was still more than a year away. And Debbie wanted to be able to help out with the grandkids from time to time.

The advisor helped Debbie and Bill think through all the pros and cons of Debbie’s going back to work. In the end, she decided part-time work was ideal: She could delay Social Security benefits, get out among people and still have a flexible schedule to pursue the activities she wanted to do, like watch the grandkids and volunteer.

Final Thoughts

While many people enter retirement and never look back, others may get there and discover they need or want to work. After all, sometimes we reach a goal and discover it wasn’t quite what we thought it would be.

Whether you’re thinking about going back to work in retirement or considering taking a new job, it might be a good idea to follow Debbie and Bill’s example and talk with a financial advisor. Not only can they walk you through the financial considerations, but they can also help you navigate the emotional side of following a new and sometimes unexpected path.

**Name and identifying details have been changed.*



¹ Sarah O'Brien. CNBC. Feb. 22, 2023. "1 in 6 retirees are mulling a return to work. What to consider before 'unretiring.'" <https://www.cnbc.com/2023/02/22/1-in-6-retirees-are-considering-a-return-to-the-workforce.html>. Accessed May 17, 2023.

^{2,3} Social Security. "Receiving Benefits While Working." <https://www.ssa.gov/benefits/retirement/planner/whileworking.html>. Accessed May 23, 2023.

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