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Why 'I'll just work longer' is not a good retirement plan

By **Mandi Woodruff**
18 hours ago
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Despite his age, Charles Morris, 66, says he has no plans to retire anytime soon. The Beaverton, Ore., web developer is one of many older Americans today who are changing the retirement landscape as we know it.



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Three out of four workers in the U.S. plan on working at least part time after they hit retirement age, according to a recent study by Merrill Lynch.

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For pre-retirees (those over 55), the top reason cited for putting off retirement should come as no surprise: money. Not only are Americans living longer today, but fixed costs like health care and housing continue to outpace inflation. For cash-strapped workers, clocking in for a few more years

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she will have the funds needed to sustain her if I pass away first," Morris says. "We have been married 46 years and my wife has been primarily a stay-at-home mom" of six children. He currently contributes 40% of his salary to his 401(k). What's left over after expenses goes into a cash reserve he and his wife use as an emergency fund.

Workers like Morris, who plan to work longer to bolster their nest egg, may be more common today. But so far they are still the exception, not the rule.

"One of the cornerstones of [retirement] planning is to always expect the worst," says Wendy Weaver, a certified financial planner in Baltimore. "Attitudes about working past retirement have changed a great deal, but the bottom line is you still don't see many people working at age 75 and 80."

In a [2014 Employee Benefit Research Institute report](#), researchers found half of retirees wound up leaving the workforce far sooner than they expected.

Only 9% of workers said they plan to retire before age 60 but nearly four times as many (35%) wound up actually retiring that early, according to the report. And just 18% of workers said they'll retire before age 65, but again, far more people found themselves retiring in that age range than expected (32%).

And people over the age of 65 make up only [5.4% of the working population](#) in the U.S.

The main reason workers retire earlier than planned is unexpected health problems, which more than 60% of early retirees cited as the reason they retired early in the EBRI study. For a healthy worker in her 40s, it can be difficult to imagine herself any other way, which is why Weaver says pride can often get in the way of realistic retirement planning.

"The idea of giving up your career and your identity is something that's very hard for people to think about," she says.

A barrier to re-entry

Some retirees don't have a say in the matter at all. Mark Wiley, 62, was in his early 50s when he was abruptly laid off from his job as a software trainer in Portland, Ore. He found himself at a crossroads — either cut his losses, take his savings and start retirement early, or pound the pavement to find another job.

"I was tired of looking for jobs and I decided I could afford to retire," he says. After a couple of years, he grew weary of free time and decided to try to reboot his career — unsuccessfully. According to the Merrill Lynch study, more than half of working retirees today say they took a break (2.5 years on average) before getting back in the field. But at the rate technology and work-

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permanently,” he says. “[Employers] want people with fresh experience and retraining for the current environment.”

Early retirees like Wiley arguably have an even bigger challenge than people who manage to keep a steady income stream in their golden years. The average 65-year-old retiree needs to save enough to sustain himself for another 20 years, according to the Social Security Administration. Having retired early, Wiley’s main goal was to work out a budget that would realistically stretch his savings out for another 30 years — or longer.

The average retiree will spend more than \$220,000 on health care costs, according to mutual fund company Fidelity. And more than 70% of workers will need some form of long-term care that is not covered by Medicare, such as a nursing home or assisted-living facility.

Wiley suffered a stroke not long after leaving his job. He had the financial cushion to afford his expenses, which totaled \$10,000 after insurance. “I’ve always been a saver,” he says. Others aren’t as well-prepared: One in three workers has saved [less than \\$1,000](#) for retirement, EBRI found.

The challenge for many workers today is that they not only have to finance more years of retirement as life spans increase, but they’re also getting less help than previous generations did. The number of employers providing health benefits for retirees, for instance, has been in a state of steady erosion over the past few decades — dropping from 40% of firms to 28% between 1988 and 2013, according to the [Kaiser Family Foundation](#).

Whether workers make it to age 70 before retiring or not, Weaver argues that “I’ll just work longer” shouldn’t be your only retirement plan.

“Honestly, the thing that makes the most difference when you’re getting close to retirement is to look at your income and expenses and [ask], which are nondiscretionary and which [can be cut]?” she says. “Expenses make a bigger difference in financial security than getting more bang from your buck in investment income.”

For Wiley, making his retirement fund last has always been top priority.

“I meet with a financial advisor almost once a month and we go through a financial planning and budgeting process,” he says. “I figure out what I can afford to spend on a daily basis. I’m doing great.”

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