

AMERICA DELAYS RETIREMENT

What does it mean for people and companies?

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Is 70 the new 65? It may be, for many Americans are electing to postpone retirement as an effect of the recent volatility in the financial markets. If 70 is the new 65, some workplace changes are worth noting - these trends may be affecting you, your employer, and your financial future.

Retirement will increasingly be a process, not an event. In the years ahead, more and more people will probably leave the workplace gradually. For baby boomers that want to stay active and engaged, this isn't necessarily a bad thing. A vice-president who worked 50 hours a week may become a consultant or a coach working three days a week. Or he or she might simply want to work less, for less pay, or make a lateral move within a company that would allow an exit on his or her terms.

Boomers will have the opportunity to shape their exit. If gradual retirement becomes more common (and today's financial pressures would seem to make it so), expect more and more mature employees to negotiate the terms of their retirement - how many hours they will work on their way out, how accessible they will be, if they will work from home or the office, and who will take the reins in their hands someday. If a boomer offers a personal exit plan of sorts that will help a business to cut labor costs without losing a valued employee, isn't that a favor to management?

Businesses and non-profits face a tough question. The 2009 Retirement Survey from the Employee Benefit Research Institute found that 51% of Americans age 25 and older now think they will retire at age 66 or older. In June 2009, the Bureau of Labor Statistics estimated that 23% of Americans employed or seeking work were age 55-64.¹

This is problematic for businesses, who in this economy might want to pay older workers to retire so that they can stay profitable. Universities, state and local governments and public agencies will probably not see the same kind of retirement turnover they did in the past. Should they stop recruiting new managers, new faculty, or new administrators for the near future? Organizationally, what is the economic value of retaining wisdom and experience?

Will we see a wave of “rehirement”? In the EBRI survey, 20% of the roughly 1,200 respondents felt they would never retire, compared to 11% in the 2007 poll.¹ Part of that increase obviously reflects what happened in the stock market, but it also may represent a perception shift in progress. Baby boomers are doers, proud contributors to society who are tearing up the old retirement template. It could be that two distinct phases of American life are emerging - one in which you work for a living, followed by another in which you work for meaning. It may lead to a wave of mature employees, professionals and entrepreneurs - a zeitgeist of sorts, the likes of which this country has never seen.

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¹ online.wsj.com/article/SB124744102811929845.html [7/13/09]