

WHEN SHOULD YOU RETIRE?

More workers are postponing retirement. Will you?



The pandemic sparked some interesting retirement trends. First there was an unexpected decline in the share of workers in the United States who were 55 and older, prompting a study called “The Great Retirement Boom” by economists with the Federal Reserve. By early 2022, the trend was reversing. “Unretirements” were on the rise, with an estimated 1.5 million retirees returning to work in the U.S. labor market by March 2022. A study of Labor Department data by Nick Bunker, an economist with Indeed, revealed that as of March 2022, 3.2% of workers who had retired a year earlier had gone back to work, becoming unretired.

To retire or not to retire—that is the question

The question is not really whether you’ll retire. The question is when. The Labor Department reported in early 2022 that there were twice as many available positions as there were unemployed Americans—in part because of the “great retirement boom.” Many unretired employees said they chose to return to work because they were given more flexible work arrangements by employers desperate for workers—and they had become less worried about catching COVID-19. In January 2023, the Labor Department released data showing that 2022 was the second-best year on record for raw job growth.

Another factor in the unretirement trend has been inflation, with rising costs causing difficulties for people trying to stick to a fixed-income retirement budget. Before the pandemic, 57% of Americans in their early 60s were still working, compared to 46% in that age group during the 1990s. Add in the increases to full retirement age (FRA)—which is the age you’re eligible to claim 100% of your Social Security benefits—and postponing retirement makes a more sense. Also, many would-be retirees have chosen to work longer in order to keep their employers’ health insurance plans until they qualify for Medicare at age 65.

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Considerations when contemplating retirement

It's not always easy to know when it's time to retire. In December 2022, a Bankrate survey revealed 71% of baby boomers (born 1946-1964) said they feel they are behind in saving for retirement. Members of Generation X (born 1965-1979) reported they were also feeling unprepared, with 65% reporting they feel they are behind in saving for retirement.

For those who have been able to prepare financially for retirement because of their employer's pension plan, their Individual Retirement Account (IRA), or other investments, the decision to retire may be easy. They may have all the assurance they need to know if they're ready to take a step back from their career and enjoy their golden years.

But for others, it can be more complicated. Regardless of how financially prepared you feel, here are some things to consider:

- **When do you want to retire?** If you're 65 or younger and claim benefits from Social Security, you'll only receive 75% of the full amount. Retiring at 66 or 67 will give you the full benefit, depending on when you were born. Age 70 is the latest age to start receiving benefits.
- **Calculate your anticipated income.** Your monthly Social Security retirement benefit is based on your highest 35 years of earnings. Years with no earnings count as zeros. Learn your estimated benefit amount by reading your Social Security Statement at www.ssa.gov/myaccount. Consider too any income from a pension, IRA, or other account.
- **How's your health?** If you're at retirement age and feeling emotionally burnt out at work—or if you're starting to feel that your physical or emotional health is on the decline—you should probably consider retirement. If you're younger than 65 and don't qualify for Medicare, talk to someone in your employer's human resources department to see if they are able to provide you partial or temporary health coverage after you've retired.
- **Establish a budget for retirement, and try to live on that budget for six months before retiring.** (Estimates typically range from 70% to 80% of their pre-retirement income for the average American.) Consider what you'll be earning from Social Security and/or other financial resources, and determine how much you may need to cut back on expenses. Also, take inflation into consideration. You may want to use a retirement calculator, such as this one by NerdWallet.
- **Ask yourself: Am I emotionally ready to retire?** Consider more than the financial support you need to get yourself through retirement. Having a support network is also an important part of your transition. It's also a good idea to create a retirement routine that enables you to pursue your passions and keeps you socially engaged.
- **Redefine your identity.** Don't let yourself be identified only by your retired status. Create connections with the activities that bring you joy, and follow your passions.

Remember that retirement isn't the end. It's a fresh beginning for the rest of your life. By preparing for it now, you can truly turn your retirement into your golden years.

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