

■ Partial Retirement: Money, Knowledge and Work-Life Balance

Just because you've reached retirement age doesn't mean you're mentally (or financially) ready to stop working entirely.

Retirement is traditionally thought of as the finish line of a career. After decades of moving forward, you cross the mark and get to enjoy your years in retirement.

But as the professional world continues to develop, the line has become blurred. An increasing number of people are choosing to pursue "partial retirement," a phase-out period where an individual works reduced hours in the months or years before leaving their jobs entirely.

There are several reasons partial, or "phased," retirements are appealing to those reaching the end of their working years:

Extended Income – It's an unfortunate reality that the economy doesn't always cooperate with retirement plans. A severe downturn in one market can undermine a person's expected retirement income or damage the value of a property that was expected to hold wealth for later years. Some people use partial retirement to extend their careers and combat financial shortfalls. Although salaries decrease in partial retirement as fewer hours are worked, the

continued income reduces withdrawals from retirement accounts, increasing their potential longevity.

Business Continuity – The sudden disappearance of a key individual can rob a company of professional insight and operational expertise. Partial retirement allows businesses to expose younger workers to the full challenges of a position while keeping an expert available to aid the transition. This continuity planning is especially important for small businesses, where

Although the concept of partial retirement barely existed 50 years ago, its popularity is quickly growing throughout the United States. A 2013 study from the University of Michigan found that over 20 percent of workers age 65-67 were partially retired.

retiring executives often have a long history with the company and hold knowledge that cannot be found anywhere else.

Work-Life Balance – Successful retirement takes a lot of planning. Unfortunately, many people focus so much on securing income that they overlook how to manage their time. Going from full employment to full retirement is a major lifestyle change



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and many retirees struggle for months (or even years) to find hobbies that can replace full-time work. Partial retirement allows for a slower transition that gives retirees time to find new pursuits while still having the familiar structure of work.

your finances. If you are interested in partial retirement, talk to your financial advisor about how it could affect your future plans and what steps you need to take first.



Challenges

With all the benefits of partial retirement, it's easy to see why it's growing in popularity. However, partial retirement will not work the same way for everyone, and there may be challenges facing those considering it.

Company Agreement – There are few laws governing partial retirement, and private companies are not required to accommodate it. A company can reject decreased employment or change benefits when an employee's workload drops to part-time. If the goal of partial retirement is to increase freedom while still maintaining valuable insurance benefits, a retiree will face a serious conversation with his or her employer and may not get an ideal arrangement.

Organization – The added income or changing benefits of a partial retirement can complicate the efficiency of a retirement plan. Work income can trigger taxes or deductions on distributions from retirement accounts or social security. It will also delay the expected decrease in living expenses that typically comes with retirement, making the net financial gain of continued work lower than expected.

The good news is that partial retirement is on a retiree's terms. If it causes greater inconvenience than either full employment or full retirement, you can ignore it and choose whichever option works best.

Partial retirement can be a great help to those seeking to balance the slowdown of retirement with the momentum of a long career. However, it takes effort to coordinate it with