

## Retirement Decisions: Challenges and Possible Solutions

### RETIREMENT PLANNING CHALLENGES

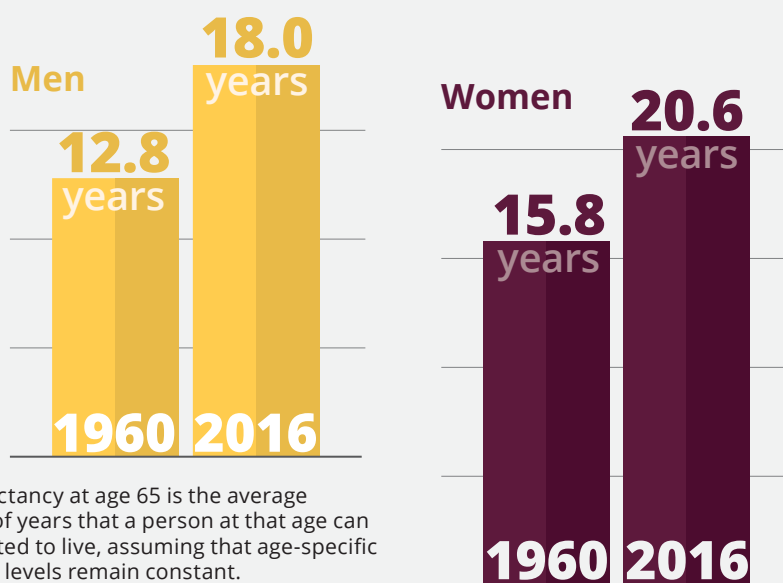
#### Rising Life Expectancy

As life expectancy has increased, workers need to accumulate more savings to cover a longer retirement period.

#### Low Long-term Rates of Return

The lower the rates of return, the higher the savings rate needs to be to replace a certain percentage of final earnings.

#### Life Expectancy at Age 65

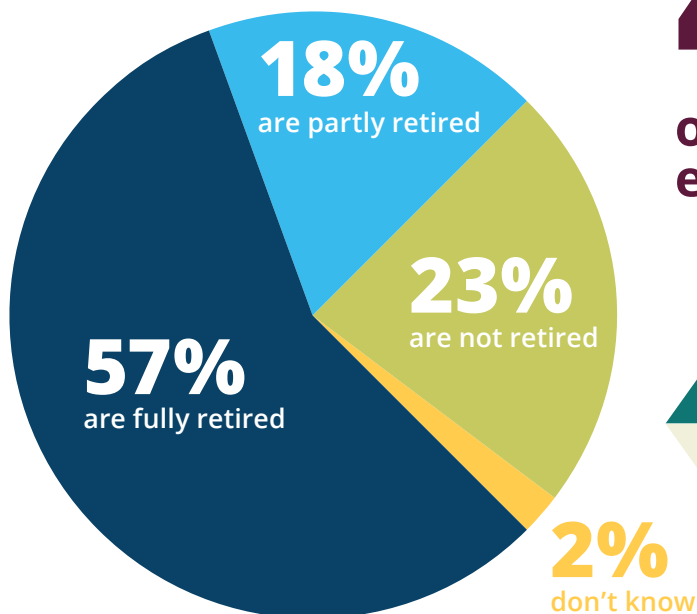


Life expectancy at age 65 is the average number of years that a person at that age can be expected to live, assuming that age-specific mortality levels remain constant.

Source: OECD (2019).

### Working longer is a powerful way to improve retirement prospects

Among 65–69-year-olds...



Source: 2014 HRS.

### POSSIBLE RESPONSE: WORKING LONGER

**40%**  
of 59–64-year-olds  
expect to work past 65.



Source: 2014 HRS.

It is not about working forever; it is about delaying retirement to ensure financial security upon completely retiring.

Data from the 2014 Health and Retirement Study (HRS) shows that about 60% of workers age 50+ would prefer to gradually reduce their working hours as they get older.

## WHAT TO CONSIDER WHEN DECIDING TO WORK LONGER

### 401(k) Savings

Working longer means people contribute more to their 401(k) plan and have more time to take advantage of the power of compound interest.

### Social Security Benefits

Each year of delay increases the monthly benefit of Social Security by 7-8%. By waiting until age 70 to start claiming, monthly Social Security benefits will be maximized.

### Retirement Period

Working longer shortens the retirement period for which the savings need to last.

### Work Environment

Work enables people to feel mentally stimulated while offering a social support system.

## PHASED RETIREMENT PROGRAMS AS A POSSIBLE SOLUTION

Traditional welfare systems are forced to change to adapt to the greater retirement risks and challenges faced by individuals. One possible solution to the need of working longer are phased retirement programs offered by employers.

### Definition of Phased Retirement

"a gradual change in a person's work arrangements as a transition toward full retirement. This may involve a change of employers (including self-employment), a change of career or a reduction in the number of hours worked."

*Source: 2008 Advisory Council on Employee Welfare and Pension Plans*

## INITIAL ACTIONS FOR NEGOTIATING A PHASED RETIREMENT PROGRAM

### Check what's available with your employer

If your employer offers a **formal** program, find the requirements and see if you qualify. Also, check which benefits are included and how your compensation will be calculated.

If there is no formal program, see whether your employer would be open to an **informal** arrangement and start the conversation.

### Prepare for a conversation with your employer

Create a compelling case highlighting your experience and expertise.

Develop your ideal flexible work arrangement, if there is no structured program available, and present it to your employer. Also, think about transferring your knowledge by offering to help in hiring and training new employees.