

Working in Retirement, Planning Ahead, and Social Security's Future

Retirement doesn't always mean stopping work entirely, and Social Security rules around continued employment can catch clients off guard. This course covers earning income while collecting benefits, long-term financial planning considerations, and clears up the most persistent myths about Social Security. It also addresses why younger clients should pay attention now and outlines the major policy choices the country faces regarding the program's future. Professionals who want a complete, forward-looking perspective on Social Security will find this course a strong finish to the series.

CREDIT HOURS 2 | FIELD OF STUDY BUSINESS | EXAM QUESTIONS 10

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LEARNING ASSIGNMENTS AND OBJECTIVES

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Identify good retirement planning for older workers.
- Identify methods for stretching retirement benefits.
- Identify the truth about old Social Security myths.
- Recognize why Social Security affects the younger generation also.
- Recognize what the future of the Social Security system looks like.

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Chapter 1: WORKING IN “RETIREMENT”

Chapter Objective

After completing this chapter, you should be able to:

- Identify good retirement planning for older workers.

Once upon a time, work and retirement meant two different stages of life. You worked until you got older, and then one day your employer gave you a little keepsake and you walked out the door. Forever. But as you know, those days are gone.

If you're a Baby Boomer, Gen Xer, or Millennial, work may be part of your life beyond what people once thought of as retirement age. If you like to work and have decent choices, you're ahead of the game. Work can be healthy and rewarding on many levels. But millions of other people are hanging in there for the simple reason that they need the money. Work is becoming an increasingly important fact of life for older Americans. And that raises a question as you approach age 62: Does it make sense to work and collect Social Security retirement benefits?

In this chapter, I talk about how working later in life meshes with Social Security and the trade-offs you face. If you're an older worker, you need to approach Social Security with care. You may have good reason to work and collect Social Security benefits, but you should keep certain things in mind. Be aware that benefits are reduced significantly — and permanently — if you take them much before your full retirement age. For that reason, it may make sense to wait (as late as age 70) if you can and rely on income from work and savings to get by in the interim. Working longer to replace enough years of weak earnings (perhaps from when you were young or unemployed) with later years of strong earnings may also increase your Social Security benefit. But the exact impact varies, and it may not be significant.

You should also be aware of Social Security's annual earnings limit for those who claim retirement benefits, a rule that may significantly reduce your benefit payments if you collect them before your full retirement age (although the withholding is made up after you reach full retirement age). This chapter goes over how the Social Security earnings test works, what it can mean for you and your dependents, and why it was created. I also explain what kinds of income you don't have to worry about.

Unless you're really set financially, it can make a lot of sense to work later in life if you have the option. I don't want to make work sound easier than it is or exaggerate the availability of good jobs. But be realistic about your financial realities. Whatever you decide, it's important to know how Social Security and work fit together to meet the individual needs of your household.

THE PROS AND CONS OF NOT RETIRING AT RETIREMENT AGE

Suppose early retirement isn't for you. You're not ready for Social Security, and you want a few more years of a steady paycheck to make sure that you'll end up with the lifestyle you want in retirement. You have skills to offer, and you know how to be a good worker.

By taking this path, you potentially bolster your resources for the long term and win a bounty of peace of mind down the road, when you finally do choose to stop working. At this point, you have a clear sense of how your wages can fit into a life plan. You may be following a smart, forward-looking strategy. You probably have more opportunity to save than when you were younger, and you may be less inclined to waste money on forgettable purchases. The future is getting a lot closer, and you're thinking about it. But be prepared — being an older worker isn't always a picnic.

Facing the challenges of working later in life

Older workers sometimes run into obstacles that make it a lot harder to earn a living, and there's no point in denying it. If none of these challenges comes your way and your path turns out to be a breeze, all the better. I cover some of the possible challenges in the following sections.

Age discrimination

Age discrimination is a lurking, often subtle reality in many workplaces. Employers may see older workers as costly because of healthcare costs and wages. They may view you as being wary of new technology, or they may assume that you're ignorant about it.

In a weak economy, companies often offer buyouts to cut costs, a perfectly legal strategy. But older workers may feel that if they don't grab a buyout, they'll get pushed out the door anyway, with no payoff.

Older job applicants sometimes complain that potential employers rule them out as “overqualified” or as not likely to stay in their jobs very long. When an older worker is laid off, it takes much longer to find a new job than it takes a younger worker to find one. According to the Equal Employment Opportunity Commission (EEOC), three in five workers have seen or experienced age discrimination in the workplace. It appears in three main areas: recruitment and hiring, when younger applicants are shown favor due simply to their age; on-the-job bias, when older workers are harassed or get fewer training opportunities, promotions, or rewards; and termination, when a company “freshens” its workforce or trims its budget by targeting senior employees.

Unexpected events

Surveys of retirees have found that 40 percent or even more feel that they were forced to retire before they expected to. Older individuals cite various reasons that they hang it up earlier than

planned, including layoffs, a company (or job) relocation, an employer going out of business, and reduced demand for their skills.

Health problems

Chronic health issues become more common the older you get. Among people over 50, for example, four out of five have at least one chronic health condition. That’s more than 70 million people. Moreover, older workers may face a difficult conflict between the demands of the workplace and caregiving for an ailing spouse.

An unsteady job market

Your ambition to stay in the workforce may be rewarded with a job that is below your expectations. You may like your current job, but you may not be able to keep it. On top of that, continual restructuring by U.S. businesses adds instability to many jobs. New technologies, changes in management priorities, or an economic downturn can all heighten job pressures and prompt an unexpected layoff.

Youthful co-workers

You may face a big age gap between yourself and your colleagues, some of whom may be young enough to be your children. Perhaps some of these “kids” make more money than you do and have more influence. Maybe one of them writes your performance review. You have to deal with it. And don’t forget that your youthful boss may feel awkward about giving you orders or criticizing your work.

Tip

As an older worker, use your maturity to keep relations easygoing and stress free. Your experience in dealing with others is an asset.

Reaping the benefits of working later in life

So much for the challenges. You may have very good reasons to persevere in the working world. You can push up your monthly retirement income by 30 percent if you retire at 67 instead of 62, according to scholars at the Center for Retirement Research at Boston College. In large part, the reason is that your Social Security benefit grows if you delay taking it. In addition, you strengthen your long-term security by adding to your nest egg and reducing the length of retirement you have to finance.

Working later in life can help you in other ways, too. Here are some of the reasons, in addition to the incentives provided by Social Security:

- **Health insurance:** Many employers offer health insurance, which can add up to thousands of dollars in annual benefits.
- **Workplace savings programs:** If your employer offers a 401(k), you may benefit from some matching contributions, which build savings. If you're over 50, you can make your own catch-up contributions to a 401(k) (\$8,000 in 2026). If your employer offers no plan and you can set aside some money, you should put as much as possible into an individual retirement account (IRA). **Note:** In 2026, a \$1,100 catch-up is allowed for traditional IRAs beyond the \$7,500 maximum contribution, or \$8,600 if you're age 50 or older.

NOTE: Even greater catch-up contributions are available to employees with 401(k)s age 60 to 63.

- **Opportunity to save:** For many people in their late 50s and 60s, the kids are out of the nest, the house is paid off, and the medical expenses that may be in store when you're older haven't hit yet. If you're in this fortunate position, you have a window of opportunity to plow as much of your wages into savings as you possibly can to prepare for the long haul.
- **The chance to wipe out debt:** Maybe you still have maxed-out credit cards and a big mortgage. If so, you don't need me to tell you how important your wages are. By preserving that income for a few extra years into your mid-60s or even beyond, you can pay down your debt and strengthen your finances.

THE EARNINGS TEST: HOW YOUR PAYMENTS ARE CALCULATED WHEN YOU WORK

Social Security has an annual earnings limit, a rule that may significantly reduce your benefit payments if you collect them in early retirement (although the withholding is made up after you reach full retirement age — that is, once a person reaches full retirement age, the monthly payment increases accordingly).

The annual earnings limit may apply only if you're collecting Social Security benefits and haven't yet reached full retirement age (currently 67). This rule may also hit spouses as well as widows, widowers, and others getting survivor benefits. After you reach your full retirement age, the earnings limit vanishes. Then you can earn as much as possible, and the Social Security Administration (SSA) doesn't care.

I discuss a different restriction on earnings that affects disability benefits in Chapter 1 of course 81855C.

How the earnings limit works

Here's how the basic earnings limit works: If you get benefits before you reach your full retirement age and you also earn money, the SSA generally reduces your benefit by \$1 for every \$2 you earn above a certain amount. The amount typically goes up every year; it is set at \$24,480 in 2026. The