Eight Reasons Retirement Should Wait

You're frustrated with the daily grind. You don't like the new boss. Your co-workers aren't great and they're getting paid more than you do for the same job. You can't face the travel demands.

I've heard a wide range of reasons people say they are 'out the door' as soon as possible. These types of issues can be a heavy weight on a person after decades of working. The emotions and physical demands of a job are absolutely factors to weigh, but there are a number of other life and financial elements that suggest that you may need to hang in a little longer – either in your current job or another one.

If you're thinking about retiring, ***a first step to consider is to have a solid retirement income projection created*** so you know how your annual income will change if you stop working. In addition, it's also highly valuable to develop a plan that includes how your portfolio would respond and how your income would change based on adverse situations like significant market drops, a lengthy illness and the need for professional caregivers, and tax implications of your portfolio. A qualified financial advisor can provide projections.

Even if your projection looks good, there are signals that you might want to continue working for at least a few more years. Here are eight you should consider:

1. ***You and your partner don't agree on retiring.*** There's an old joke about retirement –you have twice as much spouse and half as much money. That's funny, but it speaks to the impact on your relationship that retirement can have. If a spouse or partner is unhappy or feels financially unsafe about life in retirement, it may be a long retirement for both of you. If you don't agree it's time to retire, find out why. If it's the money, talk with an advisor for an unbiased assessment of your retirement readiness. If it's other lifestyle or personal issues, work through them before you take on a major life change.

2. ***You are just making it financially now.*** If you have worries now, it's possible that retirement will increase those. Yes, some expenses are lower or gone when you retire. However, some go up, and some new ones emerge. A successful retirement is one in which you can live life without financial worry, but still do many of the things you'd like to do.

   If your retirement bills include significant debt, then this may be even more true. Credit cards and second mortgages or HELOC balances are a drag on your retirement funds. Before you decide to leave, focus on paying those down or off. Doing so may also bring about the unintended result of adjusting your lifestyle to one that is financially feasible. Getting debt instruments under control often requires that you stop doing the things that drove the debt up in the first place. That's a good habit to carry into retirement.

3. *You're still caring for children, grandchildren, or elderly parents.* Your 40s, 50s and 60s are the "sandwich generation" years – pre-college kids on one side of you, and elderly parents on the other. According to a 2012 Pew Research Center study, 47% of people age 40 to 59 have a parent over age 65 *while* raising a minor child or supporting an adult child[1]. An impressive 15% of 40–59-year-olds are providing financial support to a parent and a child. Clearing some of these obligations before you retire can provide both financial enhancement and mental relief. That may mean waiting until kids are older or forging an understanding with siblings and other relatives to share the effort for care.

4. *You have major purchases on the horizon.* Major home renovations, weddings, college – these types of expenses may be easier to pay for while you're working. Even financing options may be better if companies see you still have regular earned income. If you envision paying for major expenses out of your retirement income, it may be harder to do than you think.

5. *You don't know how social security and health care fits in your plan.* For most people, social security benefits account for between 25% and 40% of retirement income. For spouses/partners, planning on when to claim and how benefits change after the first death is important.

   Likewise, understanding how Medicare and other healthcare options work is critical. Missing dates and selecting misaligned plans can trip up retirement life and understanding how your modified adjusted gross income over time can impact Medicare premiums and surcharges is complex.

   Understanding the parts of Medicare, selecting the healthcare coverage you need, and planning for income-related costs require more than just quick consideration, and may require professional guidance. Don't pick a retirement date until you've explored how these benefits will work for you.

4. *You love to work.* If you get your identity, your social structure, and your sense of purpose from work, then keep at it – either at your current position, or a new one. If it's just your current position, management, or co-workers you dislike, you may consider changing positions within your company, switching companies, or switching careers altogether. Discuss the circumstances with a trusted colleague or professional friend to assess the depth of the issue. Meet with a recruiter in your field to determine your marketability. Talk to your spouse and your financial advisor about the viability of changing jobs or careers, including downshifting to a lower-income position. Retirement should be something you run to, not something you go to because you're running away from your current position.

6. *You don't really know your financial personality.* An important complement to the retirement income projection, you should have a strong understanding of how you spend

[1] https://www.pewresearch.org/social-trends/2013/01/30/the-sandwich-generation/

money, what your good and bad habits are, what you consider non-negotiables for spending, and what you're willing to change if necessary.

Consider a three-to-four-month retirement practice period – meaning try living on your projected monthly retirement income and only spend the money that you've identified as important or desired when you retire. Something as simple as how often you eat a meal out can show how different life in retirement is: if your retirement income plan assumes you'll eat out three times a week, but over a few months you can't live without the six or seven meals you currently eat out or bring in, you need more practice or more retirement income. You choose which, but both suggest that you should keep working longer.

7. ***You don't have a plan for longevity.*** Almost every risk factor in retirement increases the longer you live. Many people have enjoyed wonderful retirement years, only to find the last year or three are fraught with concerns because the costs of significant old age land hard. What seemed like a substantial nest egg at 75 or 80 dwindles quickly at 90 or 95. I've even known children who were paying for their parent's elder care for five, seven, ten years because no one planned that they'd live to 95, 100, or longer. That's not a great plan. Your last five to ten years of life is where long-term financial planning and estate and elder care planning converge. Bring your financial advisor and your estate lawyer together and talk as a team about how your most senior years will be addressed.
8. ***You don't know how taxes work in retirement.*** Let's just say they're very different. Understanding what income is taxed and at what percentage is critical when you're deciding how to withdraw money from assets instead of collecting a paycheck. The calculation of taxes on social security and potential long-term benefits of planning how to draw from differently taxed assets can make a significant difference in your retirement financial health.