

# When is the Right Time to Retire?

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How do you know when you are ready for retirement? For some people, reaching age 65 is a trigger for retirement, while others evaluate when to retire after their experience changes at work or a health problem. Depending on if you're a Baby Boomer or not, your eligibility for Social Security can also drive the decision. It can be difficult to know if the time is right to make the move into the next phase of your life.

Deciding on the right time to retire is a very personal choice. Some can't wait to retire, while their peers and friends may be reluctant to give up work. However you feel about retirement, it's important to think through your timing options carefully. In particular, people thinking of retiring early might want to consider whether they have a pension (or pensions) available, which will help them ease into retirement.

An increasing percentage of the population do not have a pension and need to evaluate if the savings they accumulated through their pre-tax and after-tax investments funds will be sufficient to see them through a long retirement. In most situations, Social Security income will not maintain the lifestyle that most are used to.

Another uncertainty when it comes to retirement planning is life expectancy. Many people underestimate their life expectancy, thinking that after retirement they will only live another 10 to 20 years. That has changed with the advances in medical care and diagnosis. Some people could be retired for 30 to 35 years—almost as long as they held full-time jobs.

If you ask the same question—when is the right time to retire—of five people, you will get five different

answers. Below are three varied approaches you can utilize to evaluate your particular retirement situation as you begin an informed discussion with your financial professional.

## **The Non-Mathematical (Emotional) Approach**

Some people have the ability to make a less-than-calculated approach to their decision to retire. They consider the key factors to be how they feel, what they can handle financially, and their quality of life. It may seem cavalier in some ways, but quality of life issues can play a significant role in deciding when to retire. What good is it if you have a great financial situation but have worked until your health is failing and you have no time to enjoy it?

- **Time.** Sometimes continuing to work 60- to 80-hour weeks is not as feasible as when you were young. Though you could still perform your job, the demands are too high and time with family and friends can be too valuable to give up for the sake of a job and the incremental financial cushion.
- **Interaction.** One aspect many retirees miss when they leave work is interaction with co-workers. But if you have an active network of family and friends nearby, those work relationships become less critical to your day-to-day happiness. Should you need more socializing down the road you can always volunteer at a worthwhile nonprofit or charitable organization in your area.
- **Priorities.** What is most important to you now? There is no rule book, and it is truly up to you as an individual, but nearing retirement can cause you to

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reflect on questions like “Do I have all I need?” and “How is my health?” and “Am I able to be there for my family members when they most need me?”

Everyone will evaluate this differently, but the financial view takes a second seat to the more holistic life view. For some, this will drive the decision to make the move to retirement.

### **The Social Security Rules Approach**

The age at which you can start receiving full Social Security retirement benefits is a moving target and depends on your birth year. You can elect to take benefits as early as age 62 (earlier only if you are a survivor or on disability) or wait as late as 70.<sup>1</sup>

- **What is your full retirement age?** Full retirement age (also known as normal retirement age or NRA) is when you are eligible to receive full Social Security benefits. The full retirement age used to be 65 for everyone. Under current law, if you were born in 1938 or later, your full retirement age is now some point after age 65—all the way up to age 67 for those born after 1959.

There is a penalty for taking Social Security before your full retirement age and a credit for delaying. For example, if you were born in 1944 and your full retirement age is 66, and you intend to take your benefits at age 68, you can get a credit of 8% per year multiplied by two (the number of years you waited). This makes your benefit 16% higher than the amount you would have received at age 66.<sup>2</sup>

You can also refer to your annual Social Security statement, which lists your projected benefits at age 62, full retirement age, and age 70. If you need a copy of your annual statement, you can request one from the Social Security Administration (SSA). Just go to [www.ssa.gov](http://www.ssa.gov) for your own personal statement of payout values.

If you have a choice and are in good health, it may be best to wait as long as you can to take your benefits,

but no later than age 70. There are many factors to consider and deciding when to take Social Security can be complex.

### **The Pragmatic Approach**

Over the last 20 years, the number of people who worked past age 65 has steadily increased, not just because they need the money, but also because society has changed.<sup>3</sup> More women are participating in the workforce – and staying in it longer. Workers have become healthier and more educated and jobs are less strenuous, which means that more people are willing and able to work longer. Even the definition of retirement has changed. Rather than retire altogether, many older workers are phasing out of one career and into another. Whatever your own circumstances, working into the second half of your sixties and beyond offers the prospect of a happier, more financially secure retirement when the time comes. Here are four reasons you may want to continue working for at least a few more years.

- **A bigger pension.** If you’re lucky enough to have a pension, and it hasn’t been frozen, you may get a bigger payout by working a few more years. Pensions are calculated based on pay and years of service. Some plans base the benefit on your average earnings over the last three or five years of employment, others on your average earnings over all the years in which you’ve participated in the plan. Assuming your income is still going up, your pension benefit could be greater for every year you work.
- **You like working.** Work isn’t all about paychecks and benefits. “The relationships, the recognition and the sense of fulfillment that work provides give people purpose and structure,” says Dee Cascio, a psychotherapist and retirement coach in Sterling, Va.<sup>4</sup> That can be especially true for men, she says, who often rely on work for their social network. If you haven’t a clue how you’ll spend

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your time—and with whom—after you leave the workforce, stay on the job until you do.

- **A fatter nest egg.** As an example, retirement planners might recommend having enough in retirement savings to last 25 years. For instance, if the difference between your projected retirement spending and income (including Social Security and pensions) in retirement is \$30,000 a year, you'll need 25 times \$30,000, or \$750,000. Fall short of the mark and working longer may be your only plausible solution. Not only will you have fewer years in which you'll be drawing down savings, but while you're still working, you can keep saving and feeding your retirement accounts. Even if you don't add a penny, the money in the accounts will continue to benefit from tax-deferred growth as you will not be forced to take required mandatory distributions (RMDs).

- **Coordinating with your significant other.** Although couples are increasingly retiring separately, most still hope to retire within a year or two of each other, says Richard Johnson, Director of the Program on Retirement Policy at the Urban Institute. "When you retire, you have more leisure. Most people want to spend that leisure with their partner," Johnson says.<sup>5</sup> If your partner is much younger or simply not ready to retire, working several more years yourself is a simple solution to the home-alone syndrome.

There truly is no one answer for everyone when it comes to retirement. Many factors come into play when you consider the emotional, financial, and logistical aspects of when to retire. But you don't have to make this decision alone. Schedule a meeting to sit down with your financial advisor, who can realistically evaluate your retirement assets, allowing you to fully enjoy the next phase of your life.

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1, 2 United State Social Security Web Site ([ssa.gov](http://ssa.gov)); September 2016  
3, 4, 5 KIPLINGER; 6 Good Reasons You Shouldn't Retire at 65 – Jane Bennet Clark; February 2015

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