

## October 23, 2023 – Wealth Planning Commentary

### Should You Un-Retire?

“Un-retiring” is the act of returning to the workforce after having spent time away, and it’s a growing trend for many over the age of 65. One in six American retirees consider unretiring, according to a Paychex survey.

Some decide to work again to improve their financial security in retirement. Retiring at an inopportune time, like a market downturn, can force poorly timed withdrawals from an investment portfolio. Higher-than-expected inflation can also lead to relying on the portfolio more than expected. Costs may be more than planned for, especially healthcare. Medicare doesn’t cover everything; retirees may experience high out-of-pocket costs. Those returning to work may also benefit from company health insurance plans, 401(k)s, and other fringe benefits offered by employers.

Boredom is also a factor in choosing to re-enter the workforce. Retiring might sound enticing, but some find themselves striving for a sense of purpose or a desire to keep their mind active. Working can be a way to stay engaged and may potentially help ward off cognitive decline. It’s common to grow tired of working in the same industry and realize it’s time to try something new and many have several careers.

As we age, it’s likely that friends and children will move away. It’s sometimes hard to appreciate the social connection that work can bring, and many don’t realize this until they leave a company. Returning to work is a chance to interact socially and perhaps make new friends.

The past few years have brought structural changes to the U.S. labor market -- It’s now easier than ever to work from home. Covid significantly upended norms in many white-collar jobs and remote work is now widely accepted and available. This flexible option is appealing to many retirees and companies looking for experienced workers in a low-cost state.

Some people also dip in and out of the workforce while acting as caregivers for their parents, older relatives, and close friends. This is statistically truer for women. When this type of care is no longer necessary, sometimes caregivers return to work.

Those looking to un-retire should be aware of certain issues. For example, ageism is an unfortunate reality. Older people and people with health issues can be discriminated against. Depending on individual circumstances, a job search might be more difficult. We recommend searching with an open mind and preparing to expand your horizons to include multiple fields.

If a retiree has already started taking social security, and then returns to work prior to their full retirement age (FRA), social security benefits may be reduced. If the worker is younger than full retirement age, there is a limit to how much may be earned and receive full Social Security benefits. In 2023, \$1 is deducted from benefits for each \$2 earned above \$21,240. However, the benefits are recalculated at FRA. If the worker has already reached FRA, returning to work does not usually impact their social security benefit.

Another issue with unretiring is Medicare plan management. Part A is free and is straight forward to keep. Earning more income may trigger an increase in Medicare Part B and D premiums; the amount is based on income. Those returning to work for a small company usually keep Medicare Part B as the primary insurance and employer coverage as the secondary insurance. For those who join large companies, the employer plan often becomes the primary insurance, and workers typically pause Part B until they retire again. At this time, the retiree will have 8 months to re-enroll in Medicare Part B.

Medigap is trickier. Part A and Part B are required to enroll in a Medigap plan. If the retiree chooses to pause Part B when returning to work, Medigap terminates. The worker may have difficulty enrolling in Medigap coverage later because it will require medical underwriting.

In summary, it’s common to un-retire and there are many reasons. Those considering un-retirement should consult with their Wealth Manager to understand how it impacts their plan.

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