

# Working After Retirement

*Last update: November 21, 2011*

## Summary

There are two main reasons people work after retirement: to make money, and to do something productive or otherwise useful. This paper offers some tips for finding suitable work, and about some of the good and bad side-effects of doing so. It offers useful information, whether you would like to work for pay, or are thinking about volunteering.

## What's your motivation?

Your situation is very different depending on whether you are working because you need (or really want) the extra income, or whether you don't. If you don't, you may be doing it because you miss feeling as useful as you did when you were working, or maybe you just find that you have more spare time than you really want, or that you need to get out of the house (or that your spouse needs you to get out of the house) some of the time.

If money is not really an issue, volunteer work may be your best bet. Perhaps you have been a volunteer in the past, and now see the opportunity to do more; perhaps you have not had time in the past but consider retirement to be your time to give something back, or perhaps you are looking for a chance to learn and grow. Volunteer jobs are much easier to find and, since you are not getting paid, you usually have more flexibility in the number of hours you work, when those hours occur, how much time you can take off for travel or fun or mental health days, what your working conditions are, and just about every other aspect of the situation. You are in the driver's seat.

But if you need to get paid, and especially if you need to be well paid, your options will probably be much more limited, and you simply may not be able to find something that is quite what you want. You should, however, still have some options, and we will try to help you figure out how to find them and what to watch out for.

## What do you want? What would you settle for?

These are three questions you should put some serious thought into before you actually start looking for either paid or volunteer employment. Among the issues you should think about:

- Are you looking to continue your previous career or profession, though perhaps in a reduced capacity, or are you looking for (or willing to accept) something new? This is an important question. Continuing or resuming your life-long work means going in as an expert, and it may be a nice boost for your self-esteem. The work may be more rewarding to you, both financially and in terms of accomplishment. But it may also mean more difficult or stressful work. Or maybe you're just ready for a change. Maybe a job that is very different, or simpler, would be more enjoyable to you and even though it probably wouldn't pay as well. How these issues balance out for you may require some serious thought.
- What kind of hours are you looking for? Do you need or want a full-time job, or will part-time do the trick? Can you be flexible about the days of the week or the time of

day you work? If so, that will be an advantage in getting hired. Or do you need your employer to have a lot of flexibility concerning your schedule, so you can travel or baby-sit the grandkids or for some other reason? If so, that will make it harder to find the job you want. Unless you live alone, discuss these issues with your spouse or other people you live with, before you start applying for jobs.

- Are you thinking of being self-employed or starting your own business, or buying out someone else's? This is far too big a topic to tackle in this paper, but if you haven't been in business for yourself before, be warned that it can be much more complicated and difficult than it looks. Do your homework, and lots of it, before you leap in.

### **Financial implications of working for pay after retirement**

**Pensions.** In general, if you are receiving a pension, it will not be affected by your return to the workforce. There may be an exception if you return to work with your old employer, though (or, if you are a schoolteacher or other former government employee, if you return to work for any employer covered by the same pension plan), so make sure you check into the rules, if you are in that situation.

If you have a 401(k), 403(b), or other similar plan, you may have the option of transferring the balance to your new employer's plan, if it offers more or better investment options than your old plan.

If your working for pay enables you to postpone collecting a pension from a previous employer, you will probably get a higher monthly benefit later by doing so. This might be advantageous, especially if you are in good health and expect to live longer than average.

**Social Security.** If you are receiving Social Security, or thinking of starting to receive Social Security benefits soon, you need to understand three possible effects of working for pay:

- If you are younger than your normal retirement age as defined by Social Security\* and have salary or wages over \$14,640 a year, your Social Security will be reduced by one dollar for each *two* dollars by which you exceed that limit. During the year you reach your normal retirement age, the reduction is only one dollar for every *three* that you exceed \$38,880. After that, there are no reductions. But as bad as this all sounds, after you reach your normal retirement age, the Social Security Administration will adjust your monthly benefits upward to help make up for this penalty or whether you do make up the full amount or not over time depends on whether you live long enough. (Note: these dollar amounts are for 2012, and are adjusted annually for inflation. Also note that the rules for Railroad Retirement are similar, but not exactly the same.)

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\* If you were born before 1938, your normal retirement age for Social Security (i.e., the age at which you are eligible for full retirement benefits) is 65. If you were born in the period 1938 thru 1954, your normal retirement age is between 65 and 67, depending on the year of your birth, with the retirement age gradually increasing for people born during those years. For people born after 1954, retirement age is 67.

- At lower income levels, Social Security benefits are free of federal income taxes. But at somewhat higher income levels ó where òincomeö includes most forms of taxable income, not just job earnings ó up to 85% of benefits can be subject to federal income tax. The formula is mildly complicated, so you may want to consult your tax advisor, or check out the worksheet in the Form 1040 instruction booklet, to see if you would be affected.
- On the plus side, working more could increase your Social Security, even if you are already receiving benefits. Benefits are calculated based on your highest years of compensation. If your new job pays more than you earned in some of those earlier years, your benefits could go up each year you work, and if so, the increases would be permanent. So even if your current year benefits are reduced because you haven't yet reached the Social Security normal retirement age, there could still be a long-term advantage. This is not true in a lot of cases, though, so you should consult with your local Social Security office.

**Employee benefits.** If you are lucky, employment may come with health insurance or other benefits. If you need such benefits, then look for employers who offer them. In particular, if you are not yet 65 and therefore not eligible for Medicare, you might want to focus on companies that can provide a medical insurance bridge to that age. But if you don't need medical benefits, then you may find it easier to find work someplace that doesn't offer them, or you may make yourself more appealing to an employer by explaining that you are already covered and would not need to buy into the company plan. Also, if you have retiree medical benefits from a former employer, you could lose them if you sign up for coverage with a new employer; so make sure you understand the situation you are in, including which plan seems better suited to your needs. In any event, if you have group or individual insurance that you intend to cancel when you start a new job, make sure you are fully covered before you cancel the old plan.

**Income taxes.** If you work for pay, this could put you in a higher tax bracket. This means that money you receive from a pension plan, or that you withdraw from a 401(k) or other similar plan, or taxable income from other sources, could be taxed at a higher rate than it would otherwise.

**Other benefits.** If you are a fairly low-income household, you may be receiving government or other benefits that depend on your income level. Taking a new job may reduce or eliminate those benefits. This doesn't mean that working is not a good idea ó it probably will still help you financially, and it may still be appealing to you for other reasons. But if you currently qualify for low-income benefits, you should check into it first, so that you understand the situation, and are not caught by surprise later.

## **Finding the right work**

1. If you want a paid job, start with traditional means:

Finding a job is not necessarily harder for you than it is, say, for a young person right out of school ó at least you have life experience, and probably job experience as well. As an older person, you do have some special considerations and perhaps special obstacles, but the fundamentals remain the same. You need to follow the same basic steps, and use most of the same resources, that anyone else

would use. If you are not sure what those are, you should visit your local library or bookstore, where you will find many good sources of detailed advice about deciding what kind of work is right for you, how to put together a resume, where to find potential employers and how to contact them, how to prepare for an interview, and so on. Unless you have been through all this in the last few years, you will almost certainly learn some things that are new, or that you forgot. You might also consider looking for a job coach or career counselor, especially if you aren't very clear on what kind of job you really want, or would be good at.

2. But also think non-traditional:

Many smaller companies and not-for-profits might be able to use your skills and knowledge, but cannot afford to hire full-time someone in the prime of his or her career. Hiring you on a part-time basis might be just the ticket for them. But it is probably easier for you to go out and find them, than for them to find you.

Although age discrimination is illegal, it does exist, and it can be subtle. Keep in mind that your knowledge, your clothes, and even your attitude may be a bit out-of-date. You can't change who you are, but then again, you probably aren't just some stereotypical old fogey, either. So don't present yourself as one. Take a good look in the mirror, and try to see yourself as a younger person might: would you want to hire you? A few small adjustments might help you make a much better first impression.

Keep your eyes open for companies that already have older people working for them. They are likely to be more receptive to hiring you.

3. Use the special resources you have as an older person:

- Consult with your most recent employer. Talk with your former boss, and with the Human Resources people. You don't have to come right out and ask for a job, though you can if you want to. You could just say, "You know my abilities as well as anyone - do you have any suggestions about where I might find suitable work?" If they want you back, they'll tell you. If they don't, they might still give you some good tips.
- Use agencies and websites that are geared to people in your age group. Some of them are listed in the website referred to at the end of this paper..

4. If you are not yet retired, and would like to arrange to work with your current employer on a part-time or consulting basis after your official retirement:

- Start early. If possible, begin developing your plans at least a year ahead of time. You have some research to do, and the first few things you try may not work out.
- Many employers now permit or actively encourage "phased retirement" - that is, gradually decreasing your working hours, rather than retiring all at once. The best of such programs provide access to your pension while you are phasing out. If this might meet your needs, but your company does not offer such a program, ask the Human Resources department if they are thinking about it.

- Before inquiring, consider the ways in which you can either make a special contribution (perhaps, for example, as a trainer for new employees), or ways in which you can be flexible in terms of hours, pay, or benefits, that will make your proposition more appealing.
  - Let your employer in on your ideas as soon as you feel reasonably clear about what you want. Perhaps you will need to transfer positions, perhaps you will need new training, perhaps your current boss was thinking (or will now start thinking) about the need for a part-timer. It may be an easy transition, but more likely it will require some finagling ó so leave enough time to work out all the details. And if it can't be worked out, starting early gives you more time to find something elsewhere, while you still have your old job (as they say, it's easier to find a job if you already have one).
5. Consider registering with a temp agency in your area. This could provide you with flexible hours, good pay, and changes of scene that you might find stimulating.
  6. If you are looking to volunteer, there are resources just for you, some of which are listed in the website referenced at the end of this paper. But most not-for-profit organizations, and even some for-profits (like hospitals) are happy to get volunteer assistance. So you can decide what kind of work you want, or what particular organization you want to affiliate with, and simply offer yourself to your ideal employer. Not everyone is currently looking even for free help, but if you have two or three ideas, one is likely to work.  
  
Your volunteer time is not tax deductible, but travel expenses are (though the mileage allowance, which is subject to annual adjustments by the IRS, is much lower than for business travel). Other expenses, for example, for uniforms, may also be deductible.
  7. If you have an entrepreneurial streak, you might also consider starting a business of your own, or buying an existing business, or even starting up your own not-for-profit. But this opens up a whole new range of issues too numerous to cover here.

### **Watch out for employment scams**

Whether by email, by regular mail, or in classified ads, you will see offers for good money for easy work. Very rarely are these what they claim to be ó at best, they are usually poor pay for hard work.

But sometimes, they are worse. They involve attempts to get your personal information or your money. As always, never provide such information, and never send money, to anyone you do not know or have not thoroughly checked out. And even if they do not seem to be after your information or your cash, make sure you clearly understand what is being offered, and what all the costs and caveats are, before you get further involved.

In general, you should make it a practice to stick with people or companies that you know, or that you have found through reputable government agencies, employment agencies, or other third parties.

## **For More Information**

Visit [http://www.retirementworks2.com/RetireReady/RW\\_RetireReady\\_Purpose.htm](http://www.retirementworks2.com/RetireReady/RW_RetireReady_Purpose.htm).

This is our webpage on purposeful activities in retirement, with a strong focus on both volunteer and paid work, including self-employment. This page links to other pages that describe and further link you to additional resources, many of the them free, others that you would have to pay for ó but overall to the best information we can find to help you evaluate your own situation, identify what kinds of opportunities would best suit you, and then to go find the specific position that's right for you.