



Ease Into Retirement

The Motley Foll

By Dan Caplinger

For some people, retirement is a long-awaited respite from a job they never liked. For others, it's the chance to do all those things they never seemed to have time for earlier in life. No matter what plans you have for your retirement, it's easy to think of it in very dramatic terms: One day you're working full-time, and the next you're retired, and not doing a thing.

Yet many people are choosing not to follow the old retirement script of collecting their gold watch, eating a goodbye cake with their soon-to-be former co-workers, and calling it a day. Instead, they're taking steps to ease into their retirement years: reducing their hours at their current job, or finding new work that interests them, but also helps pay some of their expenses. By avoiding the abrupt jolt that a sudden retirement can have, these people are able to get a taste of what full retirement will be like, without losing touch with the lifestyle they spent their entire careers building.

Now what?

The key to a successful retirement is knowing in advance what goals you want to pursue after you retire. By sketching out a plan for your retirement years before you're close to retirement, you'll have a better idea of what you'll have to do in your remaining work years to make those goals realistic. Unfortunately, all too often, people simply put their nose to the grindstone and get through those last few years of work without really thinking about what they want. Then, when that fateful day arrives, they suddenly find themselves either without anything they really want to do, or without the financial means necessary to make their dreams a reality.

In contrast, phasing into retirement can give you the best of both worlds. As most people approach the end of their careers, they've usually managed to fulfill the obligations they had to their families; their children are grown, and they can therefore focus more on their own wishes and needs. After having gotten used to spending the bulk of your disposable income on living expenses for yourself and your family, along with extraordinary items like helping kids finance their college education and get started in their adult lives, you may be surprised at how little you need for yourself when you're on your own. That freedom can open up flexibility in your working life; you no longer have to worry about career advancement or trying to get every hour of overtime you can, and instead you can concentrate on getting the most enjoyment from your work while also making the time to enjoy things beyond your office walls.

The practical side of semi-retirement

At the same time, however, aging brings its own set of new worries to the forefront. Many people nearing retirement are most concerned about how they'll manage the costs of obtaining the health care they need. While you may have saved up enough money to retire comfortably several years



before you turn 65, the threat of losing the health insurance coverage you have from your employer's group health plan may be enough to tempt you to keep working. [Staying covered](#) is a key component of your pre-retirement years, especially if you seek to retire in your 50s or early 60s rather than waiting until full retirement age.

From the employer perspective, businesses in many industries are facing severe shortages of skilled laborers. Fellow Fool Jeff Fischer [reported](#) a while back that companies like **Intel** (Nasdaq: INTC), **Sprint** (NYSE: S), and **Whirlpool** (NYSE: WHR) have started to fear falling numbers in the workforce. If you happen to work in those industries, you'll have a great deal of leverage to name the conditions under which you want to continue working. You may find that your employer would be thrilled to have you stay on board as a part-time employee, even if it means continuing to pay for employee benefits like health insurance. By remaining open to creative solutions while keeping your resolve to get what you want from your final years of work, you may be able to negotiate an arrangement that will make both you and your employer happy.

Financial considerations of semi-retirement

If you decide to ease yourself into retirement, there are a few financial matters to keep in mind. One important issue is that your decision on whether or not to remain partially employed has a major impact on when you should start receiving Social Security benefits. Although you aren't eligible to receive full retirement benefits until you reach full retirement age, which now ranges from age 65 to 67, depending on when you were born, you can generally start receiving partial benefits as early as age 62. For many people, the advantage of receiving an additional three to five years of benefits outweighs the fact that their monthly benefit payments would be higher if they waited. As a result, many financial planners recommend that their clients take early benefits if they won't be working.

However, working after age 62 has a direct impact on your retirement benefits. If you start receiving Social Security at age 62, your benefits will be reduced by \$1 for every \$2 you earn above a certain limit, which happens to be \$12,960 for 2007. Depending on how much you make from your work, it might make more sense for you to defer taking Social Security until you've fully retired.

Retirement should be a wonderful time when you can reflect on the accomplishments of an entire lifetime and look forward to new and different experiences in your golden years. For some, a gradual reduction in your work may be the best way to ensure a smooth transition into retirement.

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Fool contributor [Dan Caplinger](#) isn't anywhere near retirement, but you can be sure he'll be easing his way into it when the time comes. He doesn't own shares of the companies mentioned in this article. Intel is a Motley Fool Inside Value pick. The Fool's [disclosure policy](#) won't quit on you.

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