

Star-Telegram

Retirement often comes earlier than planned, survey shows

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Turns out we may have less choice about retiring than we thought.

According to a recent survey by the Employee Benefit Research Institute, just 43 percent of Americans said they retired when they had hoped to.

It revealed two surprising trends: Almost half the respondents retired earlier than expected, largely because of a health issue or job loss.

At the same time, just 6 percent said they retired later than planned. Most leave voluntarily or lose a job, making it less viable for people to work until they die.

While more people say they will work into their 70s, many end up retiring closer to 60, said Craig Copeland, senior research associate with the institute.

“We’re seeing a lot take their Social Security benefits as soon as possible at 62,” he said.

Figures from the Social Security Administration show that in 2012, 4.9 million Americans ages 62 to 65 started receiving Social Security checks, or 13 percent of the 36.7 million recipients. In 2000, just 8 percent started collecting in that age group.

Those who start Social Security early receive a reduced benefit — about 25 percent less over the rest of their lives than if they had waited to receive full benefits at 66 or later.

“Most people aren’t planning for early retirement. They are planning to retire around age 65,” Copeland said. “Social Security is a good base to retire with, along with saved assets. But if you have to retire early, you have the potential of using up all your assets before you reach it.”

Copeland said our increasingly unhealthy population is a primary reason Americans are retiring early.

“Thirty percent of those surveyed cited health as the reason they were retiring early,” he said. “You can see that in the expanding list of disabilities from chronic illnesses like diabetes. People are not able to reach the age they planned to retire.”

The other major roadblock to retirement goals may be a shifting workforce.

“They may have structural changes at their job and not have the skills they need when a company downsizes,” Copeland said. “Then it’s hard to get a job at or near the traditional retirement age.”

Burk Rosenthal, a Fort Worth financial planner and president of Rosenthal Retirement Planning, said that starting in the middle of the last decade, he saw a shift in when and how people retire.

“Before that, most of my clients retired early because they could do better with a big fat retirement package they were offered than if they waited five or 10 more years,” he said. “But around 2003-2006, it started shifting. Last year, over 80 percent of my new clients had some sort of severance issue. They didn’t make the decision on their own.”

Steve Blankenship, a financial planner and founding principal at Heritage Financial Planning in Grapevine, said he has also seen the retirement age change over the last decade.

“In the ’90s, age 55 was the time people wanted to be out, and it was not unusual for people to be out by age 50,” he said. “Now, if you’re 55, you’re out looking for another job, which is very difficult. What you see is they have to take a step down in employment from where they were.”

The planners find that many clients don’t know even basic information about two pillars of retirement, Medicare and Social Security.

While full Social Security benefits start at age 66, you can sign up for Medicare at 65, Rosenthal said.

“I find a lot of people don’t know that,” he said. “They think the two programs are linked with the same age.”

Many people also aren’t aware that Social Security benefits are tied to inflation, so their checks will increase over time while their monthly pension checks stay the same.

“Social Security is one of the most commonly dismissed programs, but it’s a powerful piece of the equation,” Blankenship said. “Along with Medicare, it provides a floor for retirement. Once the floor is in place, it’s up to you to provide anything above the basic levels of assistance.”

Numbers from the Social Security Administration bear this out. In 2010, Social Security provided at least half of all income for 53 percent of beneficiary couples and 74 percent of single beneficiaries. It provided 90 percent or more of income to almost 1 in 4 couples and almost half of singles.

Rosenthal recommends that you determine your sources of retirement income — what is guaranteed and what is not — and plan how that income will be invested and how those assets will be spent down.

The survey said workers who have done their homework by calculating what will be needed in retirement tend to have higher savings goals and to be more confident. So put pencil to paper and retirement may not come as such a shock when someone hands you a notice to leave.

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