

# The COMPASS Chronicle

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"Morningstar's Best Client Newsletter"

## Working toward Retirement

By Louis E. Conrad II, CFA

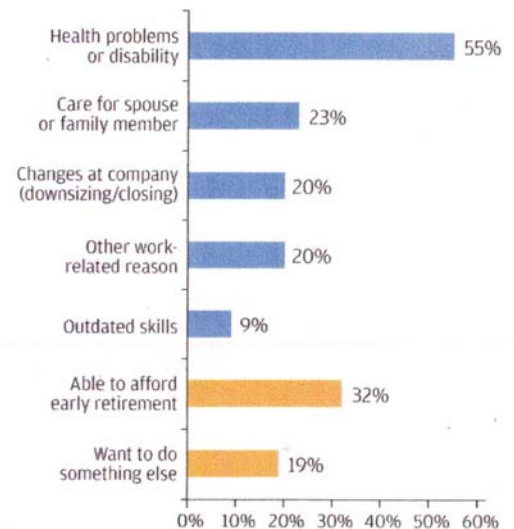
- ▶ Many workers find themselves behind in saving for their retirement.
- ▶ Some expect to continue working past the traditional retirement age of 65, but not all will be able to, most often due to their own or a family member's health issues.
- ▶ A retirement planning analysis from COMPASS can incorporate such an occurrence and determine how well you are positioned for retirement.

Most current workers (68%) expect to retire at the age of 65 or older, though the experience of most current retirees (69%) was to retire before reaching age 65, according to the 2013 Retirement Confidence Survey conducted by the Employee Benefit Research Institute and Mathew Greenwald and Associates, Inc. Further, the median retirement age for current retirees who were surveyed was 62. Why is there such a discrepancy for the age at which to retire between the expectations of current workers (future retirees) versus the actual results experienced by current retirees?

In this same survey, retirees cited several reasons for retiring earlier than they had planned, with a decline in their health or incurring a disability (55%) or the

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Reasons Cited for Retiring Earlier than Planned



Source: Employee Benefit Research Institute and Mathew Greenwald and Associates, Inc., 2013 Retirement Confidence Survey as adapted by JPMorgan Asset Management



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### More about COMPASS Wealth Management, LLC

COMPASS Wealth Management, LLC is a client-focused wealth management firm dedicated to providing superior advice to individuals, families, and corporate retirement plans.

Our wealth management services include investment management, retirement and gift planning, education funding, and other advisory services.

We take pride in offering you expert financial advice along with personalized service. Assisting you in reaching your financial goals is our business and we take that responsibility very seriously.

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## Working toward Retirement, continued

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need to care for a family member (23%) as the most often cited reasons. Work-related reasons were cited next, such as (1) the downsizing or closing of their workplace (20%); (2) some other work-related reason (20%); or (3) outdated skills (9%).

On the positive side, 32% retired earlier than they had planned because they determined they had sufficient assets to retire, while 19% responded that they wanted to do something else with their time.

### Working in Retirement

Though some may retire before age 65, an increasing percentage of workers continue to work past 65. Based on 2010 data from the Bureau of Labor Statistics (BLS), 31.5% of those 65 – 69 years of age were employed, while 18% of those 70 – 74 were working and 10.9% of those 75 – 79 were working. By 2020, the BLS projects 37.8% of 65 – 69 year olds will be working, 22.8% of 70 – 74 year olds, and 15.2% of 75 – 79 year olds.

Of those working past 65 years of age, most are doing so out of desire, while others are working out of necessity. Based on the 2010 Retirement Confidence Survey, for those who wanted to work during their retirement, 60% elected to work to remain active and involved and 59% indicated they enjoyed working. For those who found that they must work, 26% were doing so because of a decline in the value of their investments, 21% to buy extras, and 17% to meet their living expenses. Another 15% were working to maintain their insurance or other benefits.

### Summary

While a greater proportion of people are working past the long-held retirement age of 65, many are forced to retire earlier than planned, often due to personal or family health issues. An unplanned, early retirement can place significant strain on the financial resources necessary to meet your future living expenses. This requires careful retirement planning so that you do not experience a shortfall.