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Plan on Working Past Age 65? You'll Have Company



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Allison Linn
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Getty Images

Warren Buffett is America's most famous senior citizen still on the job. But he's not alone.

If you're planning to work past age 65, you may find that you have a surprising amount of company among your peers.

A larger chunk of Americans are working into their late 60s and even beyond, part of a long-term trend that has continued despite the tight job market of the past five years and is expected to increase in coming decades.

"It's one of the most important changes in the labor force over the last generation," said Richard Johnson, director of The Urban Institute's Program on Retirement Policy.

Most Americans still stop working by the time they hit 65. But about 18.5 percent of Americans age 65 and over were working in 2012, according to the Bureau of Labor Statistics. That's a nearly 8 percentage point increase from a low in 1985, when just 10.8 percent of

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Americans over age 65 were still at work.



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The trend toward working past age 65 is an about-face from the decades that followed World War II. From the late 1940s through the mid-1980s, the percentage of people over age 65 who were in the labor force generally fell as workers took advantage of pensions and Social Security payments that gave them plenty of financial incentive to quit working by age 62 or even before.

These days, however, people have an incentive to work longer and wait to collect more lucrative Social Security benefits.

Perhaps more importantly, more companies have moved from pension-type retirement plans to 401(k)-type plans. Johnson noted 401(k) plans can have the opposite effect on retirement, because they aren't as generous and provide incentive for people to work longer so they can bulk up their funds more.

"The erosion in traditional pension plans has really encouraged people to work longer," he said.

Still, not everyone is healthy enough to work past age 65, and many people don't want to. Alicia Munnell, director of the Center for Retirement Research at Boston College, said her research has shown that people ages 55 to 64 are more likely to keep working for a few extra years because they didn't think they could afford to retire.

But she said people who are still working at age 65 and beyond are generally healthier, wealthier and more educated than those who have stopped working, and she thinks a significant chunk are doing so at least partly by choice.

"When you're talking with people older than 65, people are healthier and better educated and jobs are less physically demanding, and that makes it attractive to stay in the labor force," she said.

Munnell noted that not all professions are friendly to older workers, so working longer isn't always rewarding or even pleasant. But in some



There are also plenty of examples of famous older people, such as Warren Buffett, 82, who are clearly staying on the job more for love than money.

The percentage of people 65 and over who are working has continued to increase in the past five years, even though the overall labor force participation rate has fallen because the tight job market has made it so hard to find jobs.

Phillip Levine, an economics professor at Wellesley College who has studied retirement trends extensively, said he doesn't think the recession itself has played a big role in exacerbating the existing trend of older workers staying in the labor force longer.

His research has shown that the Great Recession has had an opposite

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effect on many workers who were close to retirement, pushing them into early retirement because they lost a job and couldn't find a new one.

But in years to come, he does expect the Great Recession will play a role in increasing the number of people who work past age 65. That's because younger people who were unemployed for several years during this period will then work a few extra years to make up for the earnings, and retirement contributions, they lost during their stints of unemployment.

Johnson, from The Urban Institute, said the continued decline in pension plans also will likely play a role in more people choosing to hold onto their jobs longer than their parents or grandparents.

"The idea of retiring at age 62 - I think a lot of young people think that's a quaint idea," Johnson said.

At what age do you plan to retire?

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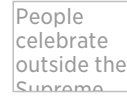
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