How to Un-retire: Planning a Post-retirement Move Back to the Workplace

There once was a time when retirement meant leaving the workforce for good.

But an April 2006 survey by Zogby International and the MetLife Mature Market Institute found that about 11 percent of retirees aged 55-59; 16 percent between 60-65 and 19 percent between 66-70, reported they had gone back to work.

Going back to work isn't necessarily a negative. Not everyone does it because they're having trouble making ends meet. Some people go back to work because they're bored and need a new challenge; others find a great opportunity to share a lifetime of skills.

Yet for every retiree who considers a return to the workplace, there's a critical need to review investment, insurance and tax issues. If a retired person hasn't already done so, it makes sense to confer with a tax or financial adviser before going back on the clock.

According to MetLife, most older employees expect to stop working for pay at the age of 70. The best time to talk about working in retirement is at least five years before you retire. If you're working with a good adviser, they'll force you to answer key questions about the retirement you want to have. You might discover that working in retirement is something you want to avoid at all costs, and you'll have to accelerate your saving and investment strategies to avoid it. No matter where you stand, here are some critical points to consider in a working retirement:

Making working retirement a variable in your planning: If you're in your early 50s and reviewing your retirement planning so far, it makes sense to ask yourself under what conditions you'd return to the workplace. You obviously need to know based on current projections how much money you're likely to gather from savings and other retirement resources. Then you need to consider how much money you'd be satisfied making in your post-retirement working life.

Consider how a return to the workplace will affect you personally and socially: If you're 40, 50 or 60, working right now probably feels like breathing – when have you not worked? But it may not be the best option after a year or two out of the workplace.

Talk to a tax professional before you make a move: Tax issues shouldn't determine your ambitions and goals, but it's important to consider the impact work-related income will have on your retirement. Many retirees find that it doesn't take much post-retirement, work-related income to tip them into a higher bracket. Look for ways to control the taxes you'll ultimately pay, including continued participation in qualified plans, IRAs, and other tax-favored accumulation vehicles and using annuity income to fill the gap between the beginning of the "post-retirement" period and the age when full Social Security benefits can be drawn without an offset for employment income.

Consider what earnings will do to all your retirement payments: If you are planning to work, consider not only the tax impact, but also how that might change the way you plan to draw on your retirement savings and investments as well as Social Security. If you are planning to work, it's important you consider delaying receipt of those benefits for as long as you can.

Look for work-related incentives: Particularly for retired state workers, there are many opportunities to return to state employment and actually augment existing pensions. Current population projections show that there will actually be a worker shortage as the Baby Boomer generation retires, so many private employers might approach their retirees with similar benefits to make return worth their while.

Consider insurance issues: If a retiree returning to the workforce is already receiving Medicare or covered by a "Medigap" policy, they may be able to lower their costs or improve their coverage by accepting group coverage as primary underwriter of their medical expenses. Since people over age 55 are generally the greatest users of the healthcare system, coverage issues are particularly important to run by a financial planner.

Keep saving: If you return to the workplace, see what you can do to take advantage of your new employer's 401(k) plan or any other tax-advantaged retirement savings benefit, particularly if an employer matches your contribution. Don't miss a chance to enhance your retirement savings.

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