For Many, Bear Market May Delay Retirement

By Editor Test *Mon, Jun 22, 2009*

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Many older workers who suffered large losses in their retirement funds in 2008 and 2009 are planning to delay retirement, according to Watson Wyatt. The global consulting firm surveyed 2,200 full-time workers in February 2009 and found that:

- About one third (34%) of all workers have increased their planned retirement age in the last year. Among those over age 50, 44% plan to delay retirement, compared with only 25% of those under age 40. Half of those aged 50 or more plan to retire at age 66 or later.
- The decline in the value of their 401(k) accounts was cited by 76% of workers aged 50 to 64 as the most important reason they plan to postpone retirement. Other reasons were the high cost of health care (cited by 63%) and higher prices for basic necessities (cited by 62%).
- Of those aged 50 to 64, more than half (54%) indicated that they would work for at least three years longer than expected.
- Defined contribution (DC) plan participants were more likely to delay retirement than defined benefit (DB) plan participants. Only 26% of those with DC plans, including 401(k)s, plan to retire before the age of 65, compared with 41% of those with DB plans.

"The economic crisis has affected many workers' retirement plans and nest eggs, but those nearest to retirement have been especially hard hit," said David Speier, senior retirement consultant at Watson Wyatt.

"Older workers do not have the time to offset declining retirement account values, either by recouping their investment losses or significantly increasing their savings rate. For many, the only choice is to delay retirement," he said.

"Retirement programs are meant to assist with an orderly transition of a company's workforce, but with older workers staying on the job longer, employers will be faced with challenges such as inflated benefit costs and hiring issues," said Lisa Canafax, senior retirement consultant at Watson Wyatt.

"DB plans provide predictable benefits and offer workers incentives to retire at a certain age, whereas DC plans could encourage workers to work longer just when companies are trying to reduce the size of their workforce," she added. "The time is ripe for employers to take a close look at their existing retirement program to make sure it meets the needs of both workers and employers."