



## Downshifting: Working Longer and Loving It

By Elaine Floyd, CFP®

**Working full-time and then abruptly stopping work at age 65 is no longer the only possibility for retirement. “Downshifting” allows for a more gradual process, benefiting employers and employees.**

I have a friend who plays principal clarinet with a major symphony orchestra. She loves her work—which, after all, is literally playing—but at age 61 she’s getting tired of the grind.

Now, my friend Leah (not her real name) loves the creative aspects of her work—interpreting the music, playing solos, teaching students—but other aspects of the job, like some of the obligatory community outreach activities, no longer hold her interest. When I suggested that she offload some of these activities to younger members of the orchestra, she said she thought that wouldn’t be fair to them, that as principal she should be a good leader and get down in the trenches. But because this part of the job was so wearing on her, she was thinking about retiring from the orchestra altogether.

Speaking on behalf of the thousands of concert-goers who love her playing, her absence from the orchestra would be a tragedy. She probably has at least ten more years of world-class playing left in her, and she’s better now than



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she's ever been. She hasn't lost any of her technical proficiency, and her interpretive skills have improved with age. There must be a way for her to downshift into a situation where she can keep doing the things she loves and offload the things she doesn't love. At this stage in her career she deserves it.

I've realized that many baby boomers' eagerness to retire isn't so much about the work, especially the more enjoyable aspects of the work, but about the daily grind. Setting the alarm clock five days a week. Commuting to the office. Attending meetings. Dealing with paperwork. Interacting with crabby co-workers and customers. What if retirement planning started with an exploration of how to make the job more enjoyable? This would allow baby boomers to stay a few more years on the job, enjoy what they're doing, and help forestall the brain drain that will eventually occur when retiring boomers leave with their acquired knowledge and skills.

Aging scientist Ursula Staudinger is on a mission to maximize human resources that are dwindling around the globe due to declining birth rates. In "Maximizing Our Aging Potential" she says that shortages in specific occupations are already becoming more prevalent in Western Europe and in some U.S. industries. She adds that older workers are valuable to employers because of some of their patterns and habits of work, such as loyalty, reliability, promptness, and strong interpersonal skills—not to mention that older workers often hold a business's valuable networks and institutional knowledge. "In order to innovate and create sustainable societies, we need to understand whether and how we can maximize human potential in later life," she says. How to do it? Keep work interesting.

## THAT LAST STAGE BEFORE RETIREMENT

Those who are tired of the daily grind may see full retirement as their only out. Yet they may have mixed feelings about it. They like what they do, feel valued for the contribution they are making, and certainly appreciate the paycheck. If only they didn't have to deal with commuting, meetings, paperwork, boring projects, they would be more than willing to stay on the job a few more years. Whether it's working fewer

hours, shifting into a more advisory role, or remaking the job to include more exciting projects, most pre-retirees probably have some idea of how they could make their current jobs better.

Consider tucking this downshifting conversation into your retirement and life planning conversations with an advisor. Talk about your work—what you like, what you don't like, and what your perfect job would look like. Engage in a hypothetical discussion where you both brainstorm ways the job could be more enjoyable. Pretend your boss is asking, "What would it take to keep you here a few more years?"

Maybe you simply want to work less and would be happy with a shorter workday or a four-day work week. Or you might like a stretch of time off, even if it means not getting paid for the extra vacation time. Those tired of commuting might want to work from home one or two days a week. Those who hate meetings or paperwork might ask to be relieved from these activities. Maybe you want to change the nature of your work by proposing exciting new projects that would keep you even more engaged.

You might have imagined your perfect retirement by thinking about where you would live and what you would do with your time. But before going there, imagine the perfect job as a transition to retirement, say the five or so years before you call it quits for good. We're not talking about retiring and then finding a low-paying part-time job. Rather, we're talking about working at the same high (or maybe slightly reduced) pay while downshifting in the same career in order to make use of that vast amount of experience and expertise you have accumulated.

## HOW TO DOWNSHIFT

Business owners and self-employed people have an easier time downshifting than employees because they are their own boss. In fact, these people are probably in no hurry to retire because they've already worked themselves into a situation that allows them to stay involved in the business, minus the headaches. They can choose their clients, choose their hours, offload mundane activities to employees (without feeling guilty about it), and only do projects that excite them.

Downshifting comes naturally to business owners who, at some point, find themselves in the best of all possible worlds: less work, more enjoyable work, continued contribution to the world, and little or no decrease in earnings.

If you work for an employer, it may be a challenge as you seek to downshift into a less-intense role at work. A 2017 GAO report, “Older Workers: Phased Retirement Programs, Although Uncommon, Provide Flexibility for Workers and Employers,” says that formal phased retirement programs are still relatively rare. Not only do employers see such programs as expensive and difficult to administer, they worry about potential liability related to age discrimination. However, the report does cite benefits to employers who have instituted phased retirement programs, the main ones being the retention of knowledgeable, highly-skilled workers, and the transfer of knowledge to younger workers.

## DOWNSHIFTING PROPOSAL

So I propose that instead of waiting for your employer to institute a company-wide phased retirement program, you need to craft your own “downshifting proposal” that suggests ways the job can be altered to accommodate the needs of both the employer and the employee. An employer worried about brain drain wants to keep valuable workers on the job and retain the institutional knowledge they’ve accumulated. Employees who like their work want to stay involved while also having more balance and downtime in their life. Surely they can work out an arrangement to give them both what they want.

As with any proposal an employee might submit to an employer, start by emphasizing benefits to the employer. In exchange for more time off (or whatever you are asking for), the employee promises to contribute his skills and experience for the betterment of the company and also help to transfer knowledge and skills to younger employees via training or mentorship. Many older workers are highly suited to teaching and mentoring; it’s surprising these programs aren’t more prevalent as boomers get set to retire.

If you submit a downshifting proposal, it saves the employer from bringing up the touchy issue of age, and may also lead to a more workable plan. Indeed, it behooves the downshifting employee to come up with

the plan because the boss may not even know what it would take to keep the worker happy. Different hours? Different projects? Work from home a couple of days a week? A four-day work week? An employee who is familiar with both the employer’s needs and the role he or she has been fulfilling is in the best position to craft the downshifting proposal.

## DOWNSHIFTING TO SELF-EMPLOYMENT

In some cases downshifting may involve branching out from current employment to self-employment. A common example is where an employee “retires” and goes back to work for the same company as a consultant. But downshifting can take other forms too, such as freelancing for multiple clients or teaching. The cloud accounting company Freshbooks has been studying the next wave of self-employed professionals, defined as traditional employees considering self-employment within five years. Here is what’s driving them, according to Freshbooks’ “3rd Annual Self-Employment in America” report.

- 22% Control—choosing where to work, choosing when to work, managing career development
- 22% Fulfillment—more day-to-day happiness, making a difference, being more challenged
- 20% Finances—earning more money immediately, earning more money at a later time, having more money for retirement
- 14% Family—spending more time with family, flexibility to care for young children, flexibility to care for aging dependents
- 12% Change—pursuing a different career, shaking things up, working with new people
- 6% Health—address declining physical health, prevent additional burnout, address declining mental health
- 4% Negative work environment—escaping office politics, feeling underappreciated, leaving behind a bad boss

Self-employment is a natural transition for older workers who may be better equipped than younger ones to overcome one of the key barriers to self-employment: financing (but don’t blow your whole retirement plan on the new venture!). Older workers

also have a head start due to their specialized skills, cultivated networks, and a well-developed work ethic. People age 65 and older can go onto Medicare and not worry about giving up employer-sponsored health insurance.

## BENEFITS OF WORKING LONGER

If you protest the idea of downshifting, are sick of work and wanting to retire completely, consider the numbers. Can you really afford what might turn out to be a 30-year retirement? If so, great. Then you have lots of flexibility and should consider all of your options, including downshifting your work for the social benefits of continued participation, if nothing else. If your retirement is just marginally funded, consider how working just a few more years can make a big difference in your retirement security. The NBER paper “Working Longer Can Sharply Raise Retirement Income” says that a 66-year-old worker who works one year longer and claims Social Security one year later sees a 7.75% rise in his inflation-adjusted retirement income, 83% of which comes from the rise in Social Security benefits.

One advantage to claiming Social Security at 70 is that it resets the retirement target further out from 62, which is when many people typically started thinking about it. I saw this in my conversation with Leah. Even though she is going strong in her career, her 61<sup>st</sup> birthday triggered thoughts of retirement. Once I ran her Social Security analysis and showed her how much more she would gain by claiming at 70, I could almost see the gears in her head shifting to a later retirement age. People who make the decision to start Social Security at 70 figure they might as well keep working during their 60s rather than tapping their retirement savings. This ends up giving them more Social Security and a bigger base of retirement savings to draw from later. The NBER researchers observe that for a 62-year-old “working eight additional years will increase retirement income by at least 40% and above 100% for some individuals.”

## IN PRAISE OF OLDER WORKERS

The Center for Retirement Research at Boston College has taken a strong position advocating continued employment for older workers, mainly because longer

life expectancies and insufficient savings require it. If any employer needs to be sold on the idea of retaining older workers, see “The Business Case for Older Workers,” which says in part:

Older workers today are healthier, better educated, and more computer savvy than in the past and, in terms of these basic characteristics, look very much like younger workers. In addition, they bring more to the job in terms of skills, experience, and professional contacts. Finally, they are more likely to remain with their employer longer, and longer tenure enhances productivity and increases profitability for the employer. All of these benefits more than offset any remaining cost differentials between older and younger workers.

As for retirement’s effect on health, the research is mixed. Older people who work do tend to be mentally and physically healthier, but it’s not clear whether working confers those benefits or people who have them are more likely to work. But there is good evidence that working past retirement keeps your brain sharp. Or, to put it another way, retirement has a negative impact on cognitive ability, according to a RAND study. Retirement leads to a less stimulating daily environment and reduces the incentive to engage in mentally stimulating activities, such as those that would be required in the workplace. If the carrot of more money and fulfilling work won’t convince you to keep working, maybe the stick of potential dementia will.

I believe I can say I’m the poster child for creating a good work life: I work for a company whose values are aligned with mine; I work from home and travel just enough (not too much); and get great satisfaction from knowing that the financial advisors who read my articles and attend my workshops are improving the lives of thousands of clients around the country. I believe many baby boomers are in a similar position. Maybe we can all help combat the traditional notion of retirement and make “keep working” an integral part of boomers’ retirement plans.

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