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Aging Americans want softer retirement landing

BY MATT SEDENSKY

Hank Mann, 72, an engineer at Stanley Consultants, pointing at an image of a highway project he worked on, at the company's headquarters in Muscatine, Iowa.(AP Photo/Matt Sedensky)

EDITOR'S NOTE Aging America is a joint AP-APME project examining the aging of the baby boomers and the effect that this "silver tsunami" is having on the communities in which they live.

MUSCATINE, Iowa (AP) — There is an oft-told story about what happens when a worker at the Stanley Consultants engineering firm decides to retire.

"They say you have the retirement party one day and you come back to work the next," said Mary Jo Finchum, spokes-woman for the Muscatine, Iowa-based company.

Stanley is among the U.S. employers that have offered workers a softer landing into retirement, allowing them to scale back hours as they prepare to take the plunge and move into part-time positions once it's official.

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Six tips on managing your 401(k) plan

The run-up in stock prices this year could tempt even the most hands-off investor to wade into their 401(k) and make some changes.

The Dow Jones industrial average, Nasdaq and Standard & Poor's 500 indexes are each up more than 20 percent over the past 12 months. But experts suggest investors tread cautiously and avoid major changes aimed at timing the market.

"It's a retirement account. You are investing for not months or even years, but decades into the future," says Eric Tyson, author of "Personal Finance for Dummies."

He adds: "Most people, including most professional investors, are not very good at market timing."

Even if you're a set-it-and-forget-it investor, unless you've pulled out of stocks altogether — as some investors did right after the 2008 financial crisis — it's likely the stock portion of your 401(k) account has grown significantly in the last few years.

Data released Thursday from Fidelity Investments show that the average balance of its 401(k) accounts hit a record high in the first quarter of $80,000. That's up 8.4 percent from the same period last year, and represents an increase of 75 percent since the stock market hit bottom in the first three months of 2009, the company said.

In contrast, some 1.6 percent of investors age 55 or older who eliminated stocks from their portfolios when stocks collapsed in 2008, and never rebalanced their holdings, saw their portfolios grow just under 26 percent since the first quarter of 2009, Fidelity said.

Still, making periodic adjustments to your plan's asset allocation is a wise move, and

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Summer weight gain?

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Here's how to take it off

Did you enjoy your summer with lots of barbecues, pot luck picnics, ice cream runs, movie snacks, and more food-related activities? In other words, did you take a vacation from healthy eating and perhaps put on some pounds?

The formula for getting back to and maintaining a healthy weight is simple: **Healthy Weight** = **Good Nutrition** + **Calorie Control** + **Exercise**

- Good nutrition means eating a balanced diet that includes all food groups.
- Calorie control means eating between 1,500 and 2,000 calories a day, depending on age, sex, and level of physical activity.
- 30 to 45 minutes of exercise 3 to 5 times a week is also required.

To lose weight, follow a sensible and safe weight-reduction program. If you are overweight, a loss of just 5 percent to 15 percent of your current weight can improve your health and prevent disease. Health experts recommend slow and steady weight loss over crash diets. A 5 percent to 10 percent reduction in body weight over 6 months is a sensible weight loss goal. One-half to 2 pounds per week is a safe rate of weight loss.

If you follow a sensible weight loss plan, you are more likely to keep the weight off permanently. To lose weight:

- Cut calorie intake (for example, cutting 500 calories a day will result in a weight loss of about 1 pound per week).
- Reduce fat and sugar consumption.
- Increase physical activity.

Good nutrition is an essential part of maintaining a healthy weight. Nutritionists say that to maintain a healthy weight:

- **About 45 percent to 65 percent of your calorie intake should come from carbohydrates.** Vegetables, fruits, and grains are high in nutrition and low in calories that contribute to weight gain.
- **About 10 percent to 35 percent of daily calories should come from protein,** such as lean meat, fish, poultry, and dairy products (beans and tofu are also good sources of protein).
- **No more than 10 percent of your daily calories should be from fat,** and most of the fat you consume should be unsaturated rather than saturated fat.
- **Avoid food and beverages with added sugar,** since these are empty calories that provide no nutrition.

NEWS & NOTES

STAND UP FOR YOUR HEALTH

The Mayo Clinic's Dr. James A. Levine says sitting for long periods of time has long been linked with health problems including obesity and metabolic syndrome, a combination of symptoms including elevated blood pressure, blood sugar, cholesterol levels, and waist-area fat.

According to Dr. Levine, weekly sessions at the gym don't seem to help. What's needed is to move more overall, including standing rather than sitting, whenever possible, at work. He suggests:

- Use a standing desk or improvise with a high table;
- Stand while talking on the phone or eating lunch; and
- Hold a "walking meeting" rather than sitting around a conference table.

Dr. Levine explains that increased motion will result in burning more calories, which can lead to weight loss and increased energy. Even more important, he says, the muscle activity required for standing and other movement appears to trigger processes related to the breakdown of fats and sugars. These processes are stalled when employees sit.

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"It's really the best of all worlds," said John Sayles, a 79-year-old planner at Stanley who cut his hours before formally retiring in 2003, but who has continued to work part time in the decade since. "I'll probably do it as long as the company would like me to help out."

Like most phased retirement programs, Stanley approves participants case by case. Those who take part before officially resigning must work at least 20 hours to maintain their health benefits. Once they've officially retired, workers can cash in shares through the company profit-sharing plan and make 401(k) withdrawals, even if they continue to work part time.

Dale Sweere, Stanley's human resources director, said phased retirement gives employees a way to maximize their retirement savings and the company a way to retain a highly experienced employee who often has built close ties with clients.

It also slows costs and productivity losses tied to turnover, and responds to a desire from employees who want to remain engaged in work, just not as much.

"They don't want to just walk away from the profession," Sweere said. "And to try to replace these people, especially with the amount of experience they've gained, is very difficult."

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The phased retirement idea was born in Sweden in the 1970s and gained a foothold in the U.S. soon after.

Sarah Rix, a policy adviser at AARP who worked on the issue in its early years, said it has been hard to quantify how many people have taken part in such programs because most are informal. A 2010 study by AARP and the Society for Human Resource Management found that 20 percent of employers had phased retirement programs in place or planned to start them.

Companies that do embrace the concept often cite the wishes of older workers, who, surveys show, list flexibility as a priority in the twilight of their careers.

Businesses also see phased retirement as a way for employees to transfer knowledge to their replacements and to mentor younger workers.

It also is a way for them to reduce the payroll without losing a valued employee's expertise and experience.

"We're helping not only the retiree to transition, but the retiree is hopefully helping us to transition too, by passing on that corporate memory," said Judy Gonser, director of benefits and labor relations at The Aerospace Corporation, whose engineers have been at the helm of a variety of space-age projects, including missile defense.

The company lets employees take unpaid leaves of absence to give retirement a test run, switch to part-time status ahead of a full retirement, and gives retirees a chance to return to part-time work.

Phased retirement has been most widespread on university campuses and, to a lesser degree, among government and health care workers. It has been far less common among blue-collar workers.

"Some jobs are rather easy to split," said Robert Clark, a North Carolina State University economist who has written about phased retirement. For example, he said, professors teaching two classes a semester could easily trim their schedules. The salary savings might go toward hiring a less experienced, less expensive instructor.

Many formal phased retirement programs let employees maintain health insurance, vacation and other perks, and continue building up their retirement benefit. Others are more like consulting agreements, with retirees returning to work as independent contractors without benefits.

John Matzeder, compensation and benefits manager at the University of Kansas Medical Center, said phased retirement helps force individuals to think about their post-career lives and determine how they want to spend their time.

"You kind of want to transition into something and do something other than watch TV," he said. "It's a good transition. You're still coming to work, you're drawing a good income, your benefits are not going to change, but you really have to come up with a plan for when you're retired."

Phil Eckhert, 65, who retired in April from his post as director of housing, community works and transit for Hennepin County, Minn., now works part time under the county's phased-retirement program. It's provided him with a chance to refocus his life, both at work and at home. He has more time for projects around the house and his hobbies of golf and photography. But he also finds new fulfillment on the job.

He'll take calls and offer advice to less senior colleagues, all while enjoying a more limited schedule and a full pension. He had to give up his spacious office for a more modest one, but has also scaled back his responsibilities.

"It's been very nice to focus on a smaller number of things," he said. "I really have liked not having to carry 82 things home in my head at night."

Despite positive experiences around the country and decades of history, phased retirement still isn't an option most workers have access to.

Dallas Salisbury, president of the Employee Benefit Research Institute, said the economic picture will have to improve for the idea to get a more widespread embrace.

"It will require unemployment to come back down significantly lower and, particularly for the unemployment rates for those coming out of high school and college before there's interest in finding special ways to keep those who want to retire but the company would like to keep around part time," he said.

The idea gained a significant boost last year when Congress passed a law to allow some federal employees participate in phased retirement. With an eye toward a potential mass exodus of baby boomer workers, the U.S. Office of Personnel Management said the goal of the program is to facilitate the mentoring and training of employees' replacements.

That forthcoming expansion could fuel more interest in the private sector, particularly if projections of its cost savings are realized. The Congressional Budget Office estimated phased retirement would cut federal spending by $427 million over 10 years and increase revenues by $24 million because workers would collect pensions for shorter periods and earn taxable wages longer.

At Stanley Consultants, phased retirees speak passionately of what the program has allowed them to do. Hank Mann, a 72-year-old engineer, cut back to 30 hours a week in the months leading up to his formal retirement last year, and has worked fewer hours since.

He now coaches a swim team with his wife and volunteers harvesting grapes at a local winery. He relishes still being called upon to help with projects, but also enjoys being able to turn them down if he's not interested, an option not afforded during his 52 years of full-time work.

"Now I work on my schedule," he said. "Not the company's."

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part of remaining engaged with your overall retirement strategy.

Here are six ways to efficiently manage your 401(k):

1. GET THE BASICS RIGHT

Don't leave money on the table. If your company offers to match up to a certain amount of your 401(k) contribution, make sure you're putting in enough to qualify for the maximum.

Once you have that covered, save as much as you can, as early in your working years as you can.

How much? Experts vary on this, but a common benchmark is to set aside 15 percent of your pay, including any matching funds from your employer. Under IRS rules, the maximum contribution is $17,500 this year.

That means, if your employer is matching up to 3 percent of what you put in, you need to pitch in another 12 percent. If your employer's match is more generous, you can put in less, says Beth McHugh, a vice president of market insights at Fidelity.

2. DON'T BANK ENTIRELY ON WINNING INVESTMENTS

The market rises and falls, and timing may not be on your side — just ask folks who began relying on their retirement savings as the market hit the skids in 2008.

One good way to maximize your savings is to put more money into the plan.

"Those who continued to not just remain invested, but remained committed to making contributions, are the ones that were able to come out ahead in the end," McHugh says.

Since the first quarter of 2009, Fidelity's 401(k) accountholders have, on average, contributed 8 percent of their pay to their plan. It was slightly higher before that.

3. PERIODICALLY ASSESS RETIREMENT COSTS

Making sure you're financial needs are met in retirement requires having a sense of what those costs will be. And not just the basics, but any travel or other major purchases. You'll also need to update that plan, particularly as you get closer to your post-work life.

By some estimates, retirees will need 85 percent of their pre-retirement income coming in from several sources, including Social Security, 401(k) plans and other retirement accounts, a pension or similar employer-sponsored plan, and personal assets, such as other investments, savings or real estate.

"If you're behind saving or want to retire at an earlier age, you may find when you crunch the numbers that to reach your goal you should be saving 15 or even 20 percent," Tyson says. "If you're at a point in your earnings career where your earnings are relatively high but you don't think it's going to last, you don't want to keep working as hard, you may want to save 20 percent to 25 percent of your income during a certain period."

Fortunately, there are a bevy of online calculators that can help craft an estimate for how much you'll need to put away for retirement.

Look for these on the websites for large 401(k) plan managers such as Vanguard, Fidelity or T. Rowe Price.

A couple of alternatives: The AARP's calculator and Bankrate.com's.

4. REBALANCE YOUR ASSET MIX

Experts recommend taking a look at your asset mix — how much you have invested in certain funds of varying risk, or say, the proportion of your 401(k) invested in stocks versus bonds or other investments — and tweak them occasionally.

"Whether the market is up or the market is down, it's always a good time," says Philip Rousseaux, president of Everest Wealth Management Inc. "It's kind of an automatic way of always selling high and buying low."

Simply put, if you're heavily invested in a segment of stocks that have gone up sharply, you bring down your position on that a bit and shift the funds over to a segment that's undervalued.

Rousseaux recommends rebalancing at least on a quarterly basis.

Tyson, on the other hand, says every three to five years is just fine, unless the market has undergone a significant downturn.

As a general rule, stocks are going to be more volatile and risky in the short term, but reduced over the long-term. With bonds, it's reversed. They're less volatile in the near term, but there's a chance that they're not going to give enough of a return in the long term, sapping your funds for retirement.

5. RESIST TIMING THE MARKET

Making major changes to your 401(k) to profit off a market trend can be risky, and experts suggest avoiding it altogether.

"Market timing changes people make are often made on emotional reactions to events," Tyson notes. "It's better to have an overall allocation, and stick to that."

And if you do take a shot and miss, don't wait on the sidelines for a time to jump back into the market.

"You don't want to compound that mistake by continuing to engage in more market-timing," Tyson adds.

6. PLAY CATCH-UP

A law passed in 2006 allows workers over 50 to beef up how much they contribute to their 401(k) plans and other individual retirement accounts. It's aimed at helping those workers closer to retirement age put more tax-deferred money aside while they're still working.

This can be especially helpful if you've incurred a big loss over the years during a market slump.

BY ALEX VEIGA