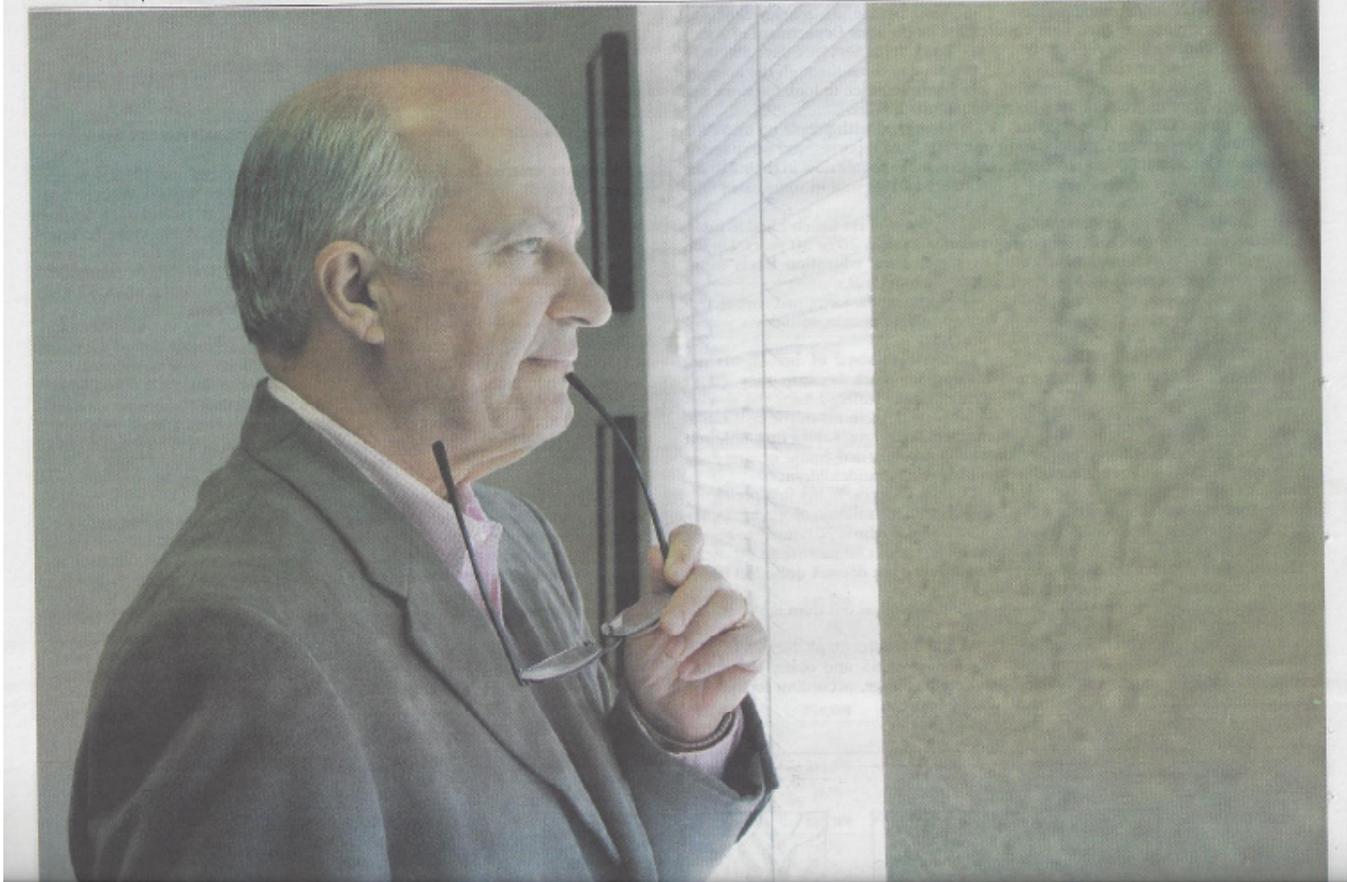


THE NEW RETIREMENT

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Financial consultant and investment advisor representative Bob Balow of Retirement & Legacy Solutions says retirement is taking different forms, from volunteering and joining boards to taking up pastimes to new careers. Balow notes that many people don't save enough for their retirement, which means that an increasing number of people are planning to work part-time even after they retire. His firm advises about 600 clients, many of whom are retired or about to retire.

Many retirees taking up careers, pursuits instead of golf

BY TINA OREM | SPECIAL TO MBW

New Mexico often appears on national lists of "best places to retire," but for more and more workers in the Land of Enchantment, the days of heading home at 65 and playing golf all day are long gone.

These days, "retirement" often means moving from a full-time job to a second career, freelance work or a part-time position, and the trend is changing the nature of employment and investing in New Mexico.

Money is a fundamental reason for this shift from rocking chairs to office chairs after age 65 — 60 percent of workers have less than \$25,000 saved for retirement, according to the Employee Benefit

Research Institute.

But money isn't the only reason older workers keep setting that alarm clock every night.

"I'd rather work," says Andy Cabrera, 63, of Albuquerque.

At 47, he retired from the Air Force and went right back to work managing a munitions program for a government subcontractor. After the company moved to Arkansas, he retired again and worked in retail jobs while flipping houses on the side. After that, he decided to drive a school bus for six months.

Being with raucous middle-schoolers at 7 a.m. convinced him to take time off for the first time in his life.

"It was fun," he says. "At four o'clock, I'd watch Judge Judy, have a beer and a

little piece of cheese, and the rest of the time I'd do what I need to do."

Full-time retirement didn't last long, though. Living off pensions and investments barely made ends meet, and Cabrera remembered what his 86-year-old father once told him: "He said, 'Not working is crap. It's lonely. I can see my friends all the time, but after a while we're all talking about the same stuff.'"

Cabrera is about to start a new job as a part-time courtesy driver for the elderly.

For financial advisers who do retirement planning, clients like Cabrera are increasingly common, and they are turning conventional investing on its head. In the old days, clients would save money for decades, earn steady returns and put their nest eggs in conservative

investments at 65 and start living off the income.

But with 63 percent of Americans now expecting to work after age 65, according to the 2012 Scottrade American Retirement Survey, advisers like Ralph Hicks, president of Hicks Advisory Group in Albuquerque, say older clients often want to put too much money in stocks and other higher-risk securities in an effort to "catch up" on savings. But because there is less time to make up potential losses, what they usually should be doing is investing far more conservatively to protect what they have. Low interest rates aren't helping.

Part of the problem is that people start thinking about retirement too late.

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"I think 38 percent of Americans have spent more time planning their next vacation than planning for retirement," Hicks notes. "The fact that they don't have enough shouldn't surprise them."

The other planning problem, said Bob Daniel of Pulakos CPAs in Albuquerque, is that many people don't understand their options for Social Security benefits or the consequences of their decisions about those benefits.

More and more people are taking Social Security at 62 — the earliest eligible retirement age — even though nearly all of them would be better off waiting until 65 or 70, when benefits are 25 percent higher or more, he says.

"Social Security was never intended to be 100 percent of your retirement," Daniel, a senior business adviser, explains.

"It was always intended to be a supplement. But the reality is for over 50 percent of the people, it's 100 percent."

One aspect of this is proving advantageous for employers, however: the government reduces Social Security benefits when a recipient's other income exceeds \$14,640 a year.

This rule has encouraged many older workers to pursue part-time work, allowing them to earn more without having their benefits penalized. And because many older workers also qualify for Medicare, notes Daniel, they're also less likely to ask for employer-provided health insurance. This can make them

very enticing to employers.

Georgia Larson, an employment specialist for the state Department of Aging and Long-Term Services, says about 10 people a day come through the doors of her Santa Fe office to look for work and brush up on skills.

"I've worked with people up into their mid-80s," she reports, "and we're seeing several more people now in their 70s too who are looking and in some cases finding work, too."

Many job-seekers haven't had to interview for a job in 20 or 30 years, Larson says, and their education levels range from GEDs to Ph.D.s.

"In some cases, we're just sort of trying to update people on today's ways," she adds.

Larson says some of her clients are looking for work because they didn't save enough, suffered from the market downturn or were hit in the real estate market. Some are supporting children who have returned home or are even raising their grandchildren.

But like Cabrera, many just prefer the intellectual stimulation of work.

Even Hicks, who is 70½ and has been a financial adviser for more than 40 years, could retire but doesn't quite feel like it yet.

"I'd rather wear out than rust out," he says.

About 14 percent of New Mexico's population is 65 and older, about the national average, according to the U.S. Census Bureau.

5 Questions with Bob Balow

Financial consultant/investment adviser representative
Retirement & Legacy Solutions

BY TINA OREM | SPECIAL TO MBA

Bob Balow entered the financial services industry in 1985. His firm, Retirement & Legacy Solutions, advises about 600 clients. His client Andy Cabrera is profiled in the adjoining article.

Q What is the biggest mistake people make before age 65 that makes them unprepared for retirement?

People never saved. They had their 401(k) and that's all they had and they put in the minimum. That's all they have. So now they're trying to figure out what they're going to do. Most of them plan on probably working part-time after they retire.

Q Why do you talk clients out of taking Social Security benefits at 62?

I don't want them to get the 25 percent hit that they're going to take. Because what we've seen in the past is inflation comes in and health care costs go up and things go up; they're going to need that 25 percent.

Q Given the number of government employees in New Mexico, how

many of your clients rely on a defined benefit plan?

Most are relying on 401(k)s rather than defined benefit plans. We even had one client that just cashed out a defined benefit plan from Presbyterian because Presbyterian just made that offer. So we accepted it; we're waiting for the money to come in. She's young; she's 53 and just started her own business.

Q Do you think that the golf course and rocking chair industries in New Mexico are in trouble?

It's possible. But I also have a retired friend who plays golf three times a week. He's retired and he's in his 70s. He has a group of friends and they travel all over the state and play golf.

Q What is the new definition of a "happy retirement"?

I think what people want in their retirement today is to be able to do what they want to do, whether it be giving back to the community and joining some boards or doing some other things with charities, finding part-time work. People tell me they would get bored staying home when they're 65.