

Is Phased Retirement Beneficial for Older Americans Financially and Psychologically?

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Older workers are engaging in “phased retirement” (Purcell, 2009, p. 14) in which they transition from full-time status to part-time and eventually retire at a later age (Purcell, 2009). This transition might help provide some income and extra benefits to households. While one can collect Social Security benefits starting at the age of 62, delaying retirement by a few years increases benefits (Munnell, 2011). This transition might also help older workers adapt with a gradual shift from a busy social work environment to the laidback and less stressed environment of retirement. Previous literature has constantly observed that the sudden jump from full-time working straight to retirement might cause retirees to miss the psychological benefits of the workplace, such as social interaction and communication (Bender, 2012; Burtless & Quinn, 2002; Calvo, Haverstick, & Sass, 2009; Kojola & Moen, 2016). However, previous literature on retirement has not thoroughly evaluated the financial and psychological progression throughout the transition to retirement.

Hence, this study investigated whether phased retirement was financially and psychologically beneficial for middle-aged and older adults in the United States using the Health and Retirement Study (HRS) at two time points, four years apart. We analyzed 5,106 adults 51 years or older from the 2010 and 2014 waves of the HRS data set using chi-square and one-way analysis of variance tests.

Our results showed that 66.8% of respondents remained full-time working, while 12.7% of respondents chose phased retirement and 15.2% of respondents jumped straight into retirement. Our findings demonstrated that phased retirement was beneficial for older Americans financially and psychologically. Specifically, the level of total household financial wealth was significantly higher for those who chose phased retirement than immediate retirees from workforce. In terms of psychological perspectives, immediate retirees experienced more depressive symptoms than those who chose phased retirement.

This study found evidence that phased retirement is beneficial for older Americans financially and psychologically. Our findings could help individuals and households to be better equipped when preparing for retirement. Our findings could also provide a basis for further research into phased retirement. Moreover, policymakers could be better informed about retirement trends and create policies based on our findings to better help older individuals and households be financially and psychologically prepared for retirement.

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