

# Pros, cons of early retirement in corporate America

Many of us have heard the term "down-sizing." Down-sizing in corporations has taken its toll on the American worker. Many people, ranging in age from their late 40s to early 60s, are faced with very difficult decisions.



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Contributing writer

These middle-aged, middle managers are being asked to "consider" early retirement."

The offers from their employers may range from lucrative to paltry, but the decisions are difficult in almost every case. Let's review some of the factors to consider when evaluating one of these "offers you can't refuse."



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There are two levels of concern that must be addressed. First, you must consider the emotional aspects of an early retirement decision. It is possible, in fact probable, that you never considered retiring today. For many people, especially those in their 40s and early 50s, retirement is still a hazy goal, far off in the future. They may not have given any thought to what they will do during retirement, whether they will seek other employment, etc.

The offer of early retirement can affect those who choose to stay with the company as well. Will they have the same, hopefully positive, feelings toward their employer and supervisor? Early retirement programs are often instituted by companies undergoing stressful and uncertain times. Staying around may seem almost as difficult as leaving. You may be unable or unwilling to make financial decisions until these emotional and psychological issues are confronted.

The other level of concern is financial. Obviously, you have two choices: Do I stay, or do I go? If you choose to stay, what is the financial health of the company? Should you take the money and run? If you stay, what are the prospects for career promotions and pay increases? Will staying merely postpone an inevitable career change, under perhaps less advantageous circumstances? Of course, leaving is also fraught with uncertainty. If you intend to pursue another position, many experts have suggested that your job search will last about one month for every \$10,000 in compensation paid by the former employer. Many early retirees become entrepreneurs, so the prospects for a new business and the need for start-up capital must be considered.

When evaluating the retirement offer itself, there are also a variety of potential pitfalls. Health insurance is a major concern for many, so find out whether you will continue to be covered. Employers

with defined benefit plans may be granting additional years of service or assuming early retirees are older than their actual age for purposes of computing their benefit. The employer may also offer some additional benefit to tide the employee over until age 62 when they can begin to collect Social Security.

Tax issues also come into play. Numerous special rules may apply. For example, those who were born before 1936 may qualify to use ten-year for-

ward averaging. Those who are 55 or older when they receive their retirement plan distribution are not subject to the 10 percent penalty. If you elect to pursue the substantially equal payment exception to the 10 percent penalty, the payments must continue for five years or until you turn 59 1/2, whichever takes longer.

Of course, this brief article is no substitute for a careful consideration of all of the advantages and disadvantages of

this matter in light of your unique personal circumstances. Before implementing any significant tax or financial planning strategy, contact your financial planner, attorney or tax advisor as appropriate.

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