



Retired Brains Need Exercise

Chapter Overview

- Exercise Your Brain
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- When Does Someone Become an “Older” Worker?
- How Demographics Help
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savings/net worth, and health insurance. A shortfall in any of these requires some additional income after you reach what you thought would be your retirement age.

IMPORTANT NOTE: The cost of Medicare premiums is rising much faster than is generally known to the average senior. With skyrocketing medical costs the increase in 2005 is 17.5 percent. It is projected that without substantial Medicare reform the Medicare cost for a typical retiree in 2040 who receives \$1,335 a month from Social Security will be \$292 monthly.

To give you a better idea of what this is all about, look at Figure 1.2.

You will see that in the coming years employers must focus more on employing seniors if they are to find enough workers. With such a large percentage of workers in the 55+ age group, employers are already developing plans to better utilize seniors in the workplace. (See more charts in the appendix.) Numbers in the chart represent the percentage change in the population in these age groups 1995–2000 vs. 2000–2010.

● Figure 1.2

Change in the U.S. Older Population, by Age Group:

Selected Time Periods, 1995–2010*

Time Period	Under 60	50+	55+	60+	65+	75+	85+	100+
1995–2000	4.6	11.1	7.3	4.1	3.5	12.1	17.2	33.3
2000–2010	5.6	27.0	27.3	22.6	13.5	10.7	33.2	81.9

*Source: U.S. Bureau of the Census, Current Population Reports, P25–1130, "Population Projections of the United States, by Age."

● **Figure 2.1**

Average Expenditures for Americans

Attributes	All households	< 50 ⁽¹⁾	50+	55+	65+
Percent who are homeowners	67%	57%	80%	81%	83%
Percent of homeowners with a mortgage	61%	81%	43%	36%	21%
Average # of people in household	2.1	2.9	2	1.9	1.7
Annual spending per household					
Food	\$5,340	\$5,643	\$4,940	\$4,581	\$3,896
Housing	\$13,432	\$14,403	\$12,204	\$11,402	\$9,729
Furniture	\$401	\$460	\$326	\$294	\$184
Major appliances	\$196	\$200	\$190	\$193	\$165
Small appliances, dinnerware, cookware	\$88	\$81	\$97	\$90	\$63
Sheet, towels, other household textiles	\$113	\$108	\$121	\$111	\$90
Apparel	\$1,640	\$1,870	\$1,342	\$1,182	\$908
Transportation	\$7,781	\$8,354	\$7,055	\$6,443	\$4,824
New vehicles	\$2,052	\$2,055	\$2,050	\$2,025	\$1,591
Old vehicles	\$1,611	\$1,904	\$1,242	\$1,060	\$637
Health care	\$2,416	\$1,758	\$3,250	\$3,455	\$3,741
Drugs	\$467	\$266	\$722	\$788	\$905
Entertainment	\$2,060	\$2,142	\$1,955	\$1,865	\$1,469
Insurance and pension expense ⁽²⁾	\$4,055	\$4,505	\$3,486	\$2,749	\$1,251
Other expenses	\$4,093	\$3,956	\$4,267	\$3,916	\$3,558
Total	\$40,817	\$42,631	\$38,499	\$35,593	\$29,376

Source: *Advertising Age's* American Demographics, based on Bureau of Labor Statistics' 2003 Consumer Expenditure survey. (1) Age reflects age of the homeowner or renter as identified by survey respondent. (2) Includes social security contribution (excludes health insurance, which is classified as health-care expense).

Early Retirement

You can get Social Security retirement benefits as early as age 62, but if you retire before your full retirement age, your benefits will be permanently reduced, based on your age. For example, if you retire at age 62, your benefit would be about 20 percent lower than what it would be if you waited until you reach full retirement age.

Full Retirement Age

The “full retirement age” is 65 for people who were born before 1938. But because of longer life expectancies, the Social Security law was changed to gradually increase the full retirement age until it reaches age 67. This change affects people born in 1938 and later. Check the following table to find your full retirement age.

Age to Receive Full Social Security Benefits

Year of birth	Full retirement age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943–1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Note: People who were born on January 1 of any year should refer to the previous year.



Remember, no matter what your full retirement age is, you still will be able to retire at age 62 if you have earned enough Social Security credits, but your monthly benefits will be permanently reduced. Some people stop working before age 62. But if they do, the years with no earnings will probably mean a lower Social Security benefit when they retire.

Note: Sometimes health problems force people to retire early. If you cannot work because of health problems, you should consider applying for Social Security disability benefits. The amount of the disability benefit is the same as a full, unreduced retirement benefit. If you are receiving Social Security disability benefits when you reach full retirement age, those benefits will be converted to retirement benefits. For more information, call us to ask for a copy of the publication, *Disability Benefits* (Publication No. 05-10029).

Delayed Retirement

You may choose to keep working even beyond your full retirement age. If you do, you can increase your future Social Security benefits in two ways.

Each additional year you work adds another year of earnings to your Social Security record. Higher lifetime earnings may mean higher benefits when you retire. Also, your benefit will increase automatically by a certain percentage from the time you reach your full retirement age until you start receiving your benefits or until you reach age 70. The percentage varies depending on your year of birth. For example, if you were born in 1943 or later, we will add 8 percent per year to your benefit for each year that you delay signing up for Social Security beyond your full retirement age.

Note: If you decide to delay your retirement, *be sure to sign up for Medicare at age 65*. In some circumstances, medical insurance costs more if you delay applying for it.

Deciding When to Retire

Choosing when to retire is an important but personal decision. Regardless of the age you choose to retire, it is a good idea

to contact Social Security in advance to see which month is best to claim benefits. In some cases, your choice of a retirement month could mean higher benefit payments for you and your family.

In deciding when to retire, it is important to remember that financial experts say you will need 70–80 percent of your preretirement income to have a comfortable retirement. Since Social Security replaces only about 40 percent of preretirement income for the average worker, it is important to have pensions, savings and investments.

It may be to your advantage to have your Social Security benefits start in January, even if you do not plan to retire until later in the year. Depending on your earnings and your benefit amount, it may be possible for you to start collecting benefits even though you continue to work. Under current rules, many people can receive the most benefits possible with an application that is effective in January.

In some cases, it may be to your advantage to apply for benefits three months before the date you want your benefits to start. Because the rules can be complicated, we urge you to discuss your plans with a Social Security claims representative in the year before the year you plan to retire.

Retirement Benefits

For Widows and Widowers

Widows and widowers can begin receiving Social Security benefits at age 60, or at age 50 if they are disabled. And they can take a reduced benefit on one record and later switch to a full benefit on the other record. For example, a woman could take a reduced widow's benefit at 60 or 62 and then switch to her full (100 percent) retirement benefit when she reaches full retirement age. The rules vary depending on the situation, so you should talk to a Social Security representative about the options available to you.



For Family Members

If you are getting Social Security retirement benefits, some members of your family also can receive benefits. Those who can include:

- Wives or husbands, if they are age 62 or older;
- Wives or husbands who are younger than 62, if they are taking care of their child entitled on your record who is under age 16 or disabled;
- Former wives or husbands, if they are age 62 or older (see “Benefits for a divorced spouse”);
- Children up to age 18 or 19, if they are full-time students who have not yet graduated from high school; and
- Disabled children, even if they are age 18 or older.

If you become the parent of a child (including an adopted child) after you begin receiving benefits, let us know about the child so we can decide if the child is eligible for benefits.

Note: Children’s benefits are available only to unmarried children. However, in certain situations, benefits are payable to a disabled child who marries someone who is also eligible as a disabled child.

For Spouses

A spouse who has not worked or who has low earnings can be entitled to as much as one-half of the retired worker’s full benefit. If you are eligible for both your own retirement benefits and for benefits as a spouse, we always pay your own benefits first. If your benefits as a spouse are higher than your retirement benefits, you will get a combination of benefits equaling the higher spouse benefit.

If spouses want to get Social Security retirement benefits before they reach full retirement age, the amount of the benefit is reduced permanently. The amount of reduction depends on when the person reaches full retirement age.

For example:

- If full retirement age is 65, a spouse can get 37.5 percent of the worker’s unreduced benefit at age 62;