What To Know Before "Reversing" Your Retirement

After working for decades, you may have been looking forward to retiring. But what if you decide to "reverse" your retirement?

You could rejoin the workforce for any number of reasons. You might need the added income to help pay for your living expenses, but you also might miss the social interactions with co-workers, or simply desire more purpose or stimulation in your life.

And if you do un-retire, you'll have plenty of company. More than 13% of previously retired baby boomers returned to the workforce in 2023, the highest level in five years, according to data from LinkedIn, the online career networking platform.

When pondering the decision to go back to work, you'll want to evaluate the advantages and the possible drawbacks.

First, let's look at the benefits of rejoining the workforce. By improving your cash flow, you may be able to do more of the things you enjoy, such as traveling. And you might also be able to reduce your debt load, which can free up even more cash. You might also use the extra money for other purposes, such as contributing to a tax-advantaged 529 education savings plan for your grandchildren.

Furthermore, depending on where you're returning to work, and whether you go back full- or part-time, you might gain access to your employer's benefits programs. If you aren't already enrolled in Medicare, you could find it financially advantageous to sign up for your employer-sponsored group medical plan. And you may also be able to contribute to your employer's 401(k) or similar plan. Even if you're not eligible for an employer-sponsored retirement plan, you can contribute to an IRA if you have any earned income.

And here's something else to think about: By bringing in income from employment, you may be able to take less out each year from your existing 401(k) and IRA, giving them a chance to potentially grow more. (Once you turn 73, or 75 if you were born in 1960 or later, you'll have to start taking withdrawals from your traditional IRA and 401(k). With a Roth IRA and 401(k), you're not required to take withdrawals at any age.)

Now, let's consider some potential areas of concern about returning to the workforce. If you've been taking Social Security, your 2025 benefits will be reduced by $1 for every $2 earned above $23,400 if you haven't reached your full retirement age, which is likely between 66 and 67. In the year in which you do reach your full retirement age, your benefits will be reduced by $1 for every $3 earned above $62,160. Starting in the month in which you reach your full retirement age, you can earn as much as you want without losing benefits. (Also, Social Security will then recalculate your payments to give you credit for the months in which your benefits were reduced due to your earned income.)

Another area of concern might be your Medicare premiums. Because these premiums are based on your income, they could rise if you start earning more money. Also, if your income increases enough, you might be pushed into a higher tax bracket.

Ultimately, you'll want to weigh the pros and cons of returning to work. If it seems the advantages outweigh the disadvantages, you may well enjoy embarking on your "second act" in the working world.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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