



## PLANNING ESSENTIALS

# Chapter Two: Second Careers in Retirement



*As your transition to retirement nears, it can be an emotionally charged time of life with strong conflicting sentiments. On the one hand, it's a chance to finally step away from the constant pressures of a 9 to 5 work week. But many people worry about whether they'll have enough in their lives to fill the working void—hobbies, activities, and passions to provide a sense of personal fulfillment and social engagement.*

It's one of the main reasons why more and more “soon-to-be retirees” these days are considering pumping the breaks and delaying their retirements.

### KEY TAKEAWAYS

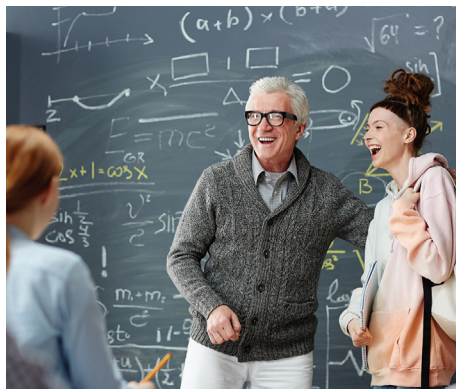
In addition to potentially being extremely beneficial financially, second act careers can provide an invaluable sense of continued purpose and social engagement in retirement.

Recent studies clearly indicate that working in retirement provides both physical and cognitive benefits as we age.

But plenty of advance preparation—planning ahead and laying the groundwork for your next chapter—will be critical to making a successful transition.

In fact, labor force participation rates for men ages 65 to 74 climbed to 31.4% in 2022 (up from 25.5% in 2002), and participation rates for women in that age group climbed from 16.1% to 22.3% over the same time period. By 2032, the U.S. Census Bureau estimates that more than 14.6 million Americans over the age of 65 will still be in the labor force.<sup>1</sup>

In addition to a strong desire to remain mentally and socially engaged, today's longer average life expectancies might also make remaining in the workforce more desirable. Not only is it a sizable challenge to fund a retirement that could last 30-plus years, we're also more active later in life—often able to keep traveling and experiencing all the world has to offer.



## FINDING YOUR FULFILLMENT

Even if you've built up enough wealth to meet all your major retirement goals, the prospect of simply flipping the switch one day can still be a little intimidating.

If you're a small business owner, or a self-employed professional such as a physician or attorney, you may be fortunate enough to be able to scale back gradually over time. But if your career doesn't afford you that degree of flexibility, why not view retirement as a chance to turn a lifetime passion into a viable second act career? The following are just a handful of examples of passions that many new retirees have turned into enjoyable and profitable second acts:

- **Arts & Crafts/Music** — For many successful professionals, their true passion growing up may have been careers that were viewed as less lucrative or stable such as painting, photography, music, sculpture, writing, or a host of other arts. Somewhere along the way, however, those passions may have been pushed aside. Why not reward yourself in

retirement by re-engaging in the creative process that gave you such joy? It's never too late.

- **Teaching** — Whether helping to tutor inner city youth or sharing your business, science, or other professional skills to continuing education students, teaching provides an opportunity to put your years of practical experience to good use. The compensation may not be life-altering, but schedule flexibility can be ideal for a retiree, and the personal rewards of teaching can be incredibly fulfilling.
- **Business Consulting/Coaching** — Why not put your lifetime's worth of professional learning to work helping guide the next generation of business leaders? Whether as a coach or a consultant, your insights and expertise can be a valuable commodity. Plus, with a second act career where income can often take a backseat to personal fulfillment, you have the ability to be very selective in only taking on clients you'll enjoy working with.

**FINDING YOUR FULFILLMENT (CONTINUED)**

- **Nonprofits** — Perhaps you feel called to give back to your community in a more meaningful way than charitable giving. There's a wide range of nonprofit organizations—from food banks and shelters to environmental and animal advocacy groups, as well as organizations supporting the arts—many of which would doubtless benefit from, and welcome, your professional expertise.
- **Real Estate** — Looking for a second act career where your community connections and interpersonal skills can be quite lucrative? You might want to consider real estate sales or property staging and photographing (since so much of sales has moved online). It's a career that offers tremendous flexibility, and one where your age can be a competitive advantage in conveying a greater degree of trustworthiness.
- **Home Healthcare** — Not only will this likely be one of the fastest-growing areas of professional need in the coming years (as the baby boomer generation continues to age), but it's a second act career that affords a great deal of schedule flexibility, plenty of social interaction, and an opportunity to positively impact the lives and well-being of others. Plus, it doesn't require extensive training.

Data shows that 57% of retirees want to continue working in some form, most often motivated by the desire for mental stimulation and professional fulfillment.<sup>2</sup>

**INVALUABLE FINANCIAL BENEFITS**

Along with a continued sense of purpose and engagement, a second career can also provide you with important financial benefits—perhaps none more important than the ability to continue building your retirement savings. The longer you continue earning income, the more time you have to use “catch-up contribution” provisions to bolster your 401(k) and IRA balances. For the 2024 tax year, anyone who's age 50 or older can contribute a maximum of \$30,500 to their 401(k), and \$8,000 to their IRAs.<sup>3</sup>

What's more, any additional income you generate through employment can help delay drawing down your retirement savings. Not only does this give your funds more time to grow tax-deferred, but it reduces

the number of retirement years for which those funds will need to generate income—increasing the likelihood that you won't run out of money.

A second act career can even have a dramatically positive impact on your monthly Social Security benefit. If you begin claiming benefits before you reach full retirement age (FRA)—age 66 or 67 depending on your birth year—it permanently reduces the amount you receive each month. The extra income you generate from working, however, may enable you to wait at least until FRA or even longer. Keep in mind, for every year you delay (up to age 70), you'll increase your monthly benefit up to 8%.<sup>4</sup>

## PREPARATION IS THE KEY TO SUCCESS

Whether for a sense of personal fulfillment or to build an extra financial cushion, a second act career can be incredibly rewarding. But don't wait until you retire to start preparing. Like any type of planning, the earlier you begin, the greater your chance of achieving a successful outcome. So you may want to start giving some serious thought now to what career you might like to pursue.

Consider seeking out insights and guidance from others who have successfully embarked on their own second acts. It can be immensely helpful to draw on their experiences, learn about their missteps, and talk about the emotional challenges they experienced along the way. In addition, once you decide on your own second act, start cultivating relationships with professional contacts in and around that field of endeavor so you have a strong network in place when the time to transition eventually comes.

Perhaps most importantly, don't forget to prepare yourself emotionally. Leaving a professional career you've excelled at for years (if not decades) is almost always going to be unsettling. Not only are you going to be stepping out of your comfort zone, but you're also walking away from those day-to-day interactions and friendships with co-workers and clients. Especially if your second act is going to be something more independent, make sure you find other ways to remain socially engaged with the outside world.

Retirement provides a unique opportunity not only to rediscover what you love, but to actually reinvent who you are. Whether your goal is to generate additional income to fund a better retirement lifestyle, stay more actively engaged, or give back to your community, a second career in retirement can be an immensely rewarding undertaking.

## Ready to explore strategies for staying more engaged after retirement? Let's talk.

<sup>1</sup> "Employment Projections: Civilian labor force participation rate by age, sex, race, and ethnicity." U.S. Bureau of Labor Statistics. September 6, 2023. <https://www.bls.gov/emp/tables/civilian-labor-force-participation-rate.htm>.

<sup>2</sup> Ward, Judith. "'Unretiring': Why Recent Retirees Want to Go Back to Work." T. Rowe Price, September 18, 2023. <https://www.troweprice.com/personal-investing/resources/insights/unretiring-why-recent-retirees-want-to-go-back-to-work.html>.

<sup>3</sup> "401(k) Limit Increases to \$23,000 for 2024, IRA Limit Rises to \$7,000." Internal Revenue Service, November 1, 2023. <https://www.irs.gov/newsroom/401k-limit-increases-to-23000-for-2024-ira-limit-rises-to-7000>.

<sup>4</sup> "Social Security." SSA. Accessed February 1, 2024. <https://www.ssa.gov/benefits/retirement/planner/delayret.html>.



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