



## The Appeal of Phased Retirement Programs

🔗 [strategic planning](#) [employees](#) [management](#)

**Summary:** As a growing number of baby boomers get closer to retirement, phased retirement programs are proving an attractive option for CFIs seeking to keep key employees around long enough to ensure that their replacements are ready to take on their roles.

Most people have experienced the unpleasant regret of making a major purchase, only to find that the item or service falls short of expectations. The experience is so commonplace that a handful of major retailers including Amazon, Warby Parker, and Wayfair have introduced “try before you buy” programs that allow people to purchase items and test them out for a few days. If a consumer is unhappy with an item, they can return it without ever being charged.

It would seem as if a “try before you buy program” would have no connection to the financial industry. But as more and more senior executives have begun retiring, a handful of community financial institutions (CFIs) have begun applying a similar approach to retirement. They do this by offering those looking to leave the workforce the ability to taper off their work lives instead of abruptly bringing them to a halt.

### Testing the Waters

Faced with a wave of impending retirements among baby boomers in key leadership positions, while the financial industry is also dealing with an ongoing dearth of qualified employees across the board, some financial institutions have begun implementing phased retirement opportunities for senior employees. The number of baby boomers retiring has risen by [approximately 2MM per year since 2011](#), according to Pew Research Center. That number is expected to rise exponentially as more baby boomers reach the age of 70 and max out their Social Security benefits.

In hopes of keeping key senior employees around longer so they can help adequately train the next generation of leadership, CFIs in both Wisconsin and New Hampshire have implemented [formal phased-out work programs](#) for executives seeking to retire.

They are not alone. Though formal phased retirement programs remain a rarity, [offered by only 6% of companies](#) according to the Society of Human Resource Management (SHRM), more and more organizations are waking up to the benefits of such offerings. A 2022 survey by SHRM found that [23% of respondents now offer phased retirement options](#) — either formal or informal programs, up from only 19% in 2018.

### Knowledge Transfer

Allowing senior employees to dip their toes into retirement by taking on smaller workloads has benefits for both potential retirees and their employers. For CFIs, it provides an opportunity for senior executives to have more time to transfer the wealth of knowledge they gained over their careers to junior employees, instead of trying to condense their valuable expertise into a few hectic days of training the next person in line. This is important, as there is a shortage of qualified individuals to step into such positions. Younger employees with fewer years invested in their careers are likely to have significant expertise gaps. Without taking the time to

truly assess what a replacement for the retiring person will need to move your institution forward, your team may find they're truly unprepared once the most experienced group is gone.

One way that your institution can take advantage of phased retirement offerings is through mentorships. Executives readying for retirement would be paired with junior employees they can train to take over their roles. The appeal of phased retirement can also be a good way to keep senior employees from seeking second acts in their careers by jumping ship to competitors or fintechs, a practice that industry professionals say has reached record activity since the financial crisis.

Since working to the age of 70 ensures that individuals can collect the maximum in Social Security benefits, providing key employees with a reduced workload can be an attractive incentive to keep a foot in the work world and help train successors longer. This practice also helps anyone considering near-term retirement slowly determine what their post-professional daily lives will look like, while continuing to draw a salary and benefits.

As the financial industry continues to grapple with major gaps in employee expertise and a lack of qualified candidates, you may find that phased retirement programs provide an appealing stopgap that is beneficial for both your organization and key executives ready to retire. Whether formal or informal, phased retirement programs can also be an extremely attractive way to help junior employees assume the role of their senior predecessors before they leave your organization.

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## ECONOMY & RATES

Rates As Of: 03/31/2023 05:34AM (GMT-0700)			
Treasury	Yields	MTD Chg	YTD Chg
3M	4.97	0.09	0.55
6M	4.92	-0.25	0.16
1Y	4.60	-0.41	-0.11
2Y	4.15	-0.67	-0.28
5Y	3.69	-0.50	-0.32
10Y	3.55	-0.38	-0.33
30Y	3.74	-0.18	-0.23
FF Market	FF Disc		IORR
4.83	5.00		4.90
SOFR	Prime		ORER
4.82	8.00		4.82

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