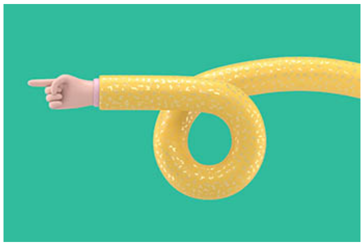

The Benefits of a Flexible Retirement Approach

human resources employees

Summary: The desire for more flexible work arrangements isn't limited to younger generations. As CFIs strive to hold on to longtime senior employees who may be heading for the exit to retire, flextirement is an option that may allow them to hold onto key employees longer and ensure a smoother transition to the next generation of employees.

Anyone who was a child in the late 1970s or 1980s more than likely remembers Stretch Armstrong, a unique action figure capable of being stretched out nearly four times its normal size (to almost five feet long) that would slowly return to its original shape. First introduced in 1976 by the Kenner toy company, Stretch was a latex action figure with a bodybuilder physique. Instead of a hard plastic frame, the toy was filled with a gel comprised of boiled-down corn syrup that gave it its unique elasticity.

Just as Stretch Armstrong's extreme flexibility made the toy attractive to children, an emerging retirement approach known as "flextirement" is helping businesses offer a tapered exit from work life, appealing to older employees who are readying themselves for the next stage of their lives.

A Mass Exodus

Baby boomers — the largest generation of retirees to date — have already been inching toward the exit from the work world for several years now, with the number of individuals choosing to retire continuously rising. More than 4.1MM Americans, roughly 11.2K each day, are leaving the workforce to retire each year, a trend that is expected to continue through 2027.

Despite the wave of retirees, however, there are still many individuals of retirement age who are choosing to remain employed in some form, particularly when the terms and conditions for doing so are appealing. According to the findings of a new report from Pew Research Center, the number of individuals age 65 or older in the work world has nearly doubled since 1987, with roughly 19% of people within this demographic continuing to work. In fact, Pew Research found that people age 75 and older comprise the fastest-growing portion of the workforce.

A Flexible Approach

As baby boomers head for the exits, in many cases they take with them knowledge and expertise that can be problematic for employers to replace, particularly in cases where inadequate succession planning has been put in place. One way some businesses are enticing senior employees to continue working long enough to transfer their knowledge and the responsibilities of their roles to younger generations and employees is through flextirement, which is essentially a gradual shift to retirement.

Under flextirement arrangements, individuals looking to retire can continue working a scaled-back version of their previous jobs. That almost always means fewer hours but can also include diminished responsibilities, a remote component, or even a switch to a consulting role — basically, whatever agreement an employee and their employer come to that enables both to benefit from a gradual retirement approach. For retirees, flextirement provides a way for individuals to dip their toes into a new retirement lifestyle and figure out how they will spend their time once they stop working, yet they continue receiving an income — and in many cases, ongoing benefits — while doing so.

The benefit for employers is that such arrangements provide the necessary time to train replacements, particularly for senior roles, and to maintain expertise without the need to scramble to hire new candidates who may not be the perfect fit.

Benefits of Flextirement

Employers have been quick to take notice of the advantages such arrangements provide, as a recent survey from Mercer found that roughly 36% of companies now offer some sort of phased retirement option.

In most cases, the benefits of flexible retirement offerings far outweigh any drawbacks, particularly given the risks of insufficient succession planning. For this reason, community financial institutions should consider incorporating flextirement arrangements into succession planning. The benefits of succession planning extend beyond your organization to the experience customers have with your institution.

In fact, the benefits for customers are among the top reasons that the Financial Industry Regulatory Authority (FINRA) cites for the importance of comprehensive succession planning. For customers, a more strategic and well-thought-out succession plan translates to a more organized transfer of their accounts in cases where advisory services are involved. Better succession planning can help minimize the risk of customers experiencing any sort of service interruption.

Since such interruptions can result in customers moving their business to other organizations, having the time to communicate personnel changes within your organization and allowing retiring employees to facilitate introductions and transitions to their replacements can be extremely important. Of course, FINRA also notes that failing to have adequate plans in place can open organizations to operational and regulatory risks as well.

Even though the great resignation is said to have come to an end, longtime senior employees and the expertise and institutional knowledge they bring to your organization can be invaluable. Losing this knowledge base abruptly without the chance to adequately train replacements can be detrimental to organizations and the experiences customers ultimately have. As more and more baby boomers hit retirement age every single day, financial institutions may want to consider enticements such as flextirement arrangements to hold on to key personnel longer and allow adequate time for the transfer of knowledge between different generations of employees.

ECONOMY & RATES

Rates As Of: 02/07/2024 03:01PM (GMT-0800)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.43	0.01	0.03
6M	5.23	0.05	-0.03
1Y	4.80	0.10	0.04

2Y	4.43	0.22	0.18
5Y	4.07	0.24	0.22
10Y	4.13	0.21	0.24
30Y	4.33	0.16	0.30

FF Market	**FF Disc**	**IORB**
5.33	5.50	5.40
SOFR	**Prime**	**OBFR**
5.31	8.50	5.32