8 Ways Retirement Changed in the Last 20 Years

By Tim Parker | Updated January 05, 2016

Retirement isn’t what it was when your parents left the workforce. In fact, it may not be what it was even a decade ago. Herewith, a rundown of the changing picture, and what it means for you.

1. Rising Retirement Age

Blame the Social Security Administration (SSA) for this one. For decades, the "full retirement age" – that is, the age at which you could start collecting full Social Security benefits – was 65. But as the SSA has looked for ways to cut costs, and to adjust for longer life expectancies, it is now age 67 for anyone born in 1960 or later.

Unfortunately, many individuals who want to work longer are finding it harder. Personal health issues (their own or a family member's) often pull people from the workplace earlier than they would like. Or they may fall victim to a reduction-in-force at their firm. Or they can be pushed into a buyout: Companies looking to get lean and mean in a still-sluggish economy often encourage older employees to retire.

2. More Retirees Working

The Great Recession, combined with less-than-adequate savings, forced more able-bodied people of a certain age into the workforce. According to a Gallup survey, there was a 3% increase in seniors working from 2010 to 2013. The Bureau of Labor Statistics predicts that by 2022, 31.9% of seniors will still be working, compared to 26.8% in 2012 and 20.4% in 2002.

3. Less From Employers

There’s really no question that the slow death of the pension plan has been a giant blow to Americans' retirement savings. Back in the day, a company enrolled you in its pension plan. You didn't have to make contributions; it was fully funded by the employer. You just kept on working, gradually becoming vested in the plan. Once you retired, you had a lifetime payout to augment those Social Security benefits.

Today, the 401(k) plan reigns supreme. It costs companies less, mandates employee contributions and puts the burden of making investment decisions on the employee. Unfortunately, studies have found that pension plans easily outperform 401(k)s – by a lot! The sums accrued by 401(k)s are proving inadequate for most workers.

4. Lower Savings-Account Balances

It's no secret that most Americans are reaching retirement age alarmingly underfunded, but it's not entirely their fault. According to an AARP study, 25% of Americans over 50 reported exhausting their savings during the Great Recession, and 48% said they had trouble making ends meet post-recession.

5. Retiring Abroad

Remember the days when folks would retire and spend their years gardening, visiting grandkids and doing activities in their community? Today, an increasing number of people are packing their stuff and heading to other countries where the cost of living is cheaper. One study found that the number of expats is at a record high. By 2017, it's expected to reach almost 57 million.

6. Inheriting Less

In the past, many people could – and often did – rely on inherited money to pad their retirement accounts. That may not be as forthcoming these days. Parents are living longer now, too, and may need the funds themselves. In addition, an HSBC survey found that 23% of pre-retirees would like "to spend their last dollar with their last breath," instead of bequeathing it to their children. Only 9% of the 16,000 respondents worldwide deemed it important to leave the kids a legacy. All is not lost, though; 60% said they'd probably have something for offspring to inherit.

7. Living Longer

Statistically speaking, you should plan to live longer than your parents. In 1960, the average life expectancy was nearly 70 years old. Today, it's about 79. This ranks as one of society's greatest achievements, but financially, it presents problems – primarily, that you require money for more years. Today's retiree needs a bigger nest egg at a time when it's harder to save. On the other hand, a longer, healthier retirement means more years to enjoy your family and your life.

8. Healthcare Costs Rising

In 2016, the cost of Medicare Part B will rise for many seniors. And anybody with health insurance knows that costs tend to be going up and benefits are going down. Healthcare will likely eat up at least 12% of your retirement budget, and that figure will likely rise as insurers get more stingy.

The Bottom Line

There's a reason financial gurus are sounding the alarm about saving for retirement. More would-be retirees are now opting to remain in the workforce as long as they can. Reaching those life-after-the-office years with the freedom to fulfill longstanding dreams is far less certain than before. It's not only tougher to save enough; rising expenses add to the load.

http://www.investopedia.com/articles/personal-finance/010416/8-ways-retirement-changed-last-20-years.asp?partner=YahooSA