



# Can the reluctant retiree phenomena be addressed?

Buyouts and phased retirement programs have been common strategies to manage faculty retirements. After the 2008-09 recession, 39% of colleges and universities participating in a TIAA Institute/Ohio University survey sponsored a phased retirement program.<sup>1</sup>

In addition, 61% had offered an early retirement buyout since the beginning of 2007. These types of programs may generate unintended consequences, however, such as encouraging the departure of productive faculty. Thus, alternative strategies are of interest.

Understanding how senior faculty decide whether and when to retire should inform any such strategy. Financial considerations are the primary reason for expecting to work past normal retirement age<sup>2</sup> among those who would prefer to retire by then, while psychosocial considerations are key among those who want to work past normal retirement age. In both cases, however, assumptions underlie these considerations and drive delayed retirements. This insight is key; addressing these assumptions positions faculty to make fully informed decisions. This in turn can lessen the occurrence of deferred retirements and shorten the length of time that retirement is deferred.

Addressing financial assumptions means engaging faculty with resources that provide clarity around the question, “When can I afford to retire?” This is an exercise in personal financial planning to project retirement income across a range of potential retirement ages given current savings and asset allocations. Even when an assumption that retirement is not feasible when desired is correct, financial analysis will quantify the savings shortfall and identify a realistic time frame for retirement.

There are complementary means to address psychosocial assumptions:

1. Engage faculty in systematic evaluation of how they could spend their time if retired.
2. Provide opportunities for retired faculty to remain connected with the academic community.

Individuals tend to overestimate the intensity of future feelings—positive or negative—from future events and in future states. This tendency biases decision making, including whether to retire or keep working.<sup>3</sup> Life planning addresses biases and assumptions by engaging individuals in systematic evaluation of their future possibilities.<sup>4</sup> It is “a process conducted...to help financial planning clients (1) focus on the true values and motivations in their lives, (2) determine the goals and objectives they have as they see their lives develop and (3) use these values, motivations, goals and objectives to guide the planning process and provide a framework for making choices and decisions in life that have financial and non-financial implications or consequences...”<sup>5</sup>



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**Understanding how senior faculty decide whether and when to retire should inform any strategy to manage faculty retirements.**

<sup>1</sup> Yakoboski, Paul, and Valerie Martin Conley, “Retirement Plans, Policies and Practices in Higher Education,” TIAA Institute *Trends and Issues* (March 2013).

<sup>2</sup> The age at which those currently age 50 and above can begin to collect full Social Security benefits—age 67—is used as normal retirement age.

<sup>3</sup> Knoll, Melissa A. Z. “Behavioral and Psychological Aspects of the Retirement Decision,” *Social Security Bulletin*, vol. 71, No. 4 (2011).

<sup>4</sup> Jetton, Elizabeth. “Moving from Financial Planning to Financial Life Planning,” TIAA Institute *Trends and Issues* (August 2009).

<sup>5</sup> Anderson, Carol, and Deanna L. Sharpe. “Research: Communication Issues in Life Planning.” *Journal of Financial Planning* (June 2008).

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The challenge for colleges and universities is not only providing a means for conducting such an evaluation, but engaging senior faculty to do so. Peer influence and perceptions of norm behavior can be helpful. Facilitating conversations with retired colleagues is valuable, as well.

In addition, opportunities for retired faculty to remain connected with the academic community will influence perceptions of retirement. Opportunities to teach a course, advise students, participate in seminars, and even continue a research agenda for several years will impact the mental calculus of whether and when to retire. Robust emeriti programs enhance retirement by providing the psychosocial benefits of academic life.

**Addressing assumptions that typically underlie the decision of whether and when to retire can position faculty to make fully informed decisions.**

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