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Professor Seeborg Says COVID Drives Retirements, But It's Not Best Time For Everyone

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WGLT Interview with Mike Seeborg, December 7, 2020

Charlie Schlenker: Retirements have accelerated in the last year. The pandemic has also closed businesses, cut hours, and put workers at risk of contracting the virus. Dana Volmer reports on the retirement trend and what people should consider before deciding to exit.

Dana Volmer: Millions of baby boomers leave the workforce each year. The financial tool of the pandemic is nudging many out the door. On average about 2 million people retire annually. The Pew Research Center reports this year, that figure is already more than 3.2 million. Mike Seeborg is an economics professor at Illinois Wesleyan University. He says that's a major reverse on the prior trend of delaying retirement.

Mike Seeborg: Baby boom generation is not been a great generation of savors over the years and so quite a large percentage of folks has a new retirement age. They find themselves with low savings or no savings at all, and then having to rely on pensions and mostly on social security. That discourages early retirement.

Volmer: He notes social security payments increase at a rate of about 8% per year. This is an incentive to work until 70. Plus, medicare eligibility doesn't kick in until 65. That means those who retire young are on the hook for insurance for themselves and potentially a younger spouse. Seeborg says from an investment perspective, now it is not a great time to retire for most people. He says they have to wait for other factors like job loss and health risk. Many they don't control. Seeborg himself just retired. He says the covid-19 pandemic was not a factor in his decision. But the coronavirus did play into Illinois State president Larry Dietz decision to retire. Dietz says reflecting on lessons from the pandemic contributed to his decision to step down next summer.

Larry Dietz: I've learned, I think, about perhaps being more grateful. I'm very grateful now particularly for my health, and that of my family, friends, and colleagues. Grateful for the freedoms that we've been a little restricted now in terms of moving around, and all those kinds of things. Those are freedoms that a lot of other people in a lot of other places don't have.

Volmer: That couple with a half of century career in education brought Dietz to his decision to step down in June. Others are turning to professionals to evaluate their options. Suzanne Kosik is a financial advisor with Edward Jones in Bloomington.

Suzanne Kosik: We definitely have had a lot more client engagement this year. As well as prospective clients reaching out... so, people who are approaching retirement and have these decisions to make "do I stay working?" "Do I retire?" Putting those pieces together to understand what's important to them and then do they have the funding to be able to do that?

Volmer: Kosik says some were furloughed others have been permanently laid off and others are just still scared to go to work for fear of putting themselves or families at risk. She says those within a couple of years of retirement age are usually looking at how much they've saved, their spending habits, and

adjusting their investment strategies to match their goals and risk tolerance. But those that are further away from retirement, say 5 to 10 years, have more significant financial questions to weigh. Including the tax implications of pulling out retirement savings early. IWU's Mike Seeborg says a better option may be to take some time away from work with the intention of returning before retirement.

Seeborg: It's better if you've experienced a job loss and you're getting near retirement age or at retirement age is to really step back and think about whether you're financially ready for that yet or emotionally ready. And for many of us, it might be better to just take a sabbatical and then consider re-entering the workforce again and retire at a more sensible age financially.

Volmer: He says that also applies to those who were laid off. Seeborg notes employers could benefit from early retirements.

Seeborg: A lot of senior workers are jumping at the opportunity as well to take a buy out or maybe a phased retirement possibility as employers try to reduce labor cost. And older workers are more costly than younger workers. So, there's an incentive for them to do that.

Volmer: Still Seeborg cautious against the hasty decision because of emotion or job loss tied to the pandemic as with any big live change he says "people should think it through". I'm Dana Volmer