Bridging the Gap: 
Making it Easier to Finance Encore Transitions

As many as 31 million people between ages 44 and 70 want encore careers that combine personal meaning, continued income and social impact. A MetLife Foundation/Civic Ventures study found that millions of people, however, face difficulties in making the transition from their earlier work to their encore careers. New approaches and tools can help them plan and finance a transitional period that can lead to a successful encore.

1. The transition from midlife work to an encore career takes time and effort.
   • The MetLife Foundation/Civic Ventures study found that the 9 million people between ages 44 and 70 who are already in encore careers, on average, started to think about their encores at age 50 and took about 18 months to make the transition.
   • Many of those currently in their encores took specific steps to prepare themselves. Nearly one in four (23 percent) participated in local volunteer programs; 20 percent enrolled in local education or training courses; and 13 percent volunteered at their local places of worship.
   • Some of those interested in encore careers aren’t yet ready to make the transition. Four in 10 (40 percent) say that they haven’t made the switch because they do not feel secure enough financially to make a career or job change in this economy. Nearly three in 10 (29 percent) say they haven’t made the switch because they don’t know which type of job or career to pursue. A similar number (27 percent) say they don’t have enough information to make the change. Nearly one in five (18 percent) say they don’t have time to explore a new career.
   • People need a range of supports to help prepare for the transition. Those interested in encore careers identified the following as most helpful: grants and scholarships for training and education (44 percent), volunteering programs (40 percent), hands-on experience through national and community service programs (36 percent), and additional training and education through community colleges or other schools (34 percent).

2. Financial obstacles hinder encore transitions.
   • More than two in three (67 percent) of those already in encore careers experienced gaps in their personal income during the transition to their encores, reporting that they earned no money (24 percent) or that they earned significantly less during the transition than they earned at their previous jobs (43 percent).
   • Of those who experienced time with little to no income, nearly four in five (79 percent) say they experienced a gap of six months or more; more than one in three (36 percent) say their income gap lasted more than two years. Most of those who answered (65 percent) say they relied on personal savings alone to make ends meet.

INCOME GAP
Of the 9 million people in encore careers, 67 percent experienced reduced or no income during the transition to their encores.

LENGTH OF TIME WITH REDUCED OR NO INCOME:
- Less than 6 months – 21%
- 6-12 months – 24%
- 1-2 years – 19%
- 2+ years – 36%
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• Half of those interested in encore careers expect the transition to be difficult – and of those, nearly three in five (59 percent) say they expect the main obstacle in making the transition to be financial.

People interested in encore careers plan to work longer, which can boost their lifetime financial security.

• The economic downturn is spurring longer working lives. Those who are not already retired say they plan to work to an average of 65.8 years old, 2.1 years longer than they thought they would before the downturn.

• People currently in encore careers expect to work even longer, to 66.5 years old on average. Those interested in encore careers expect to work until 66.2 years on average and plan on working 23.4 hours per week for 8.5 years in their encore careers.

• Understanding the benefits of postponing Social Security changes people’s views about working longer. Just 14 percent of people interested in encore careers indicated that they plan to wait until age 70 to start collecting Social Security retirement benefits. But once respondents learned that postponing their claims would result in larger monthly benefit checks for life, three in five (62 percent) said they would consider working longer.

Recommendations

Helping people finance the transitions to their encore careers is a good investment for individuals and for society. The MetLife Foundation/Civic Ventures study suggests the following changes:

• More encore financial planning. Advisers can help individuals compare their work and retirement options, assess their assets and make plans that may include more years of work, perhaps on more flexible schedules. The return on investment in encore transitions depends on both the length and the rewards of an encore career.

• New saving options. Today, older adults can use 529 college savings accounts to save for their own education, not just for their children’s. Brokerages and insurance companies are creating flexible income planning and annuity products to bridge the transition income gap. Creating a dedicated vehicle – call it an “Individual Purpose Account” – to save for an encore transition can clarify assets and options. And proposed savings vehicles such as LiLAs (Lifelong Learning Accounts) could also help finance encore transitions.

• Accelerated, accessible, affordable training. People interested in encore careers want fast-tracked courses with flexible schedules, either online or combining online and in-classroom work. Encore training has to be inexpensive: The MetLife Foundation/Civic Ventures study found that more than half (54 percent) of people interested in encore careers would not pay more than $500 for additional training or education.

• Encore education assistance. The short-term and part-time programs that encore career seekers favor should be eligible for financial aid; right now, many are not. Also, the Education for Public Service Act of 2007, which provides student loan forgiveness for those who pursue nonprofit or public sector work, should be modified to better meet the needs of people who have returned to school to help launch social-purpose encore careers.

WORKING LONGER

Looking back three years, Americans ages 44 to 70 realize they will have to work longer than they thought:

2008 63.7 years
2011 65.8 years

Average expected retirement age
• **Service as a pathway for boomers, not just young people.** Paid or stipended national and community service opportunities such as AmeriCorps, VISTA and some Senior Corps programs can help cover out-of-pocket expenses and provide valuable field experience en route to an encore career. AmeriCorps’ basic health coverage and an education award transferable to a child or grandchild (for those 55 and older) make this program a viable transition option. Encore-friendly marketing could expand the use of these widely available programs as encore transitions.

• **More Encore Fellowships.** Short-term, part-time paid fellowships in community or nonprofit organizations can open the door to encore careers. A few corporations are beginning to offer encore transition assistance in addition to retirement benefits. Intel offers all retirement-eligible U.S. employees the opportunity to apply for Encore Fellowships of up to one year, which include a $25,000 stipend and health benefits for six months.

• **Entrepreneurship support.** Boomers and older adults have emerged as the country’s most entrepreneurial age group, creating jobs for themselves and others. A MetLife Foundation/Civic Ventures study found as many as 12 million people ages 44 to 70 want to launch ventures that meet community needs. Financing, coaching and business planning assistance can help these new ventures flourish.

• **Social Security flexibility.** Streamlining, clarifying existing benefit options and creating new flexibility in starting and stopping benefits could let individuals use Social Security as an income support for encore transitions, while preserving and strengthening its role in providing late-life financial security. More people need to know even relatively modest levels of continued income can allow them to delay their Social Security claims, allow their savings and investments to grow, and require those assets to cover fewer years, improving their lifetime financial security.

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**WHAT WOULD HELP**

People interested in encore careers rate these supports as most helpful:

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<thead>
<tr>
<th>Support</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and scholarships</td>
<td>44%</td>
</tr>
<tr>
<td>Volunteer programs</td>
<td>40%</td>
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<tr>
<td>National service programs</td>
<td>36%</td>
</tr>
<tr>
<td>Additional training and education</td>
<td>34%</td>
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*The study, funded by MetLife Foundation, is based on 2011 research by Penn Schoen Berland that included a nationally representative telephone survey of 930 Americans ages 44 to 70 and a follow-up online survey of 1,408 Americans ages 44 to 70 in or expressing interest in encore careers. For more information, go to [www.encore.org/research](http://www.encore.org/research).*