RETIREMENT RESEARCH AND INSIGHTS

Principal®

Navigating the cost of delayed retirement

Insights and strategies across industries support employee goals while managing business impacts

Retirement is no longer a fixed milestone—it's a shifting reality with rising costs and workforce challenges. This in-depth analysis reveals where the impact has been the greatest and how strategic plan design can help employees retire on time while managing the bottom line.

Retirement in the U.S. is being redefined. Once a predictable milestone, it now can be more fluid—shaped by demographic shifts, personal choice, and financial necessity.

While some employees choose to work beyond the typical retirement age for personal fulfillment or continued engagement, many do so because they're financially unable to retire when planned. The transition from defined benefit to defined contribution plans shifted the responsibility of retirement savings to individuals, many of whom now face a shortfall.

This shift has real implications for both employees and employers. Employees working beyond their desired retirement age may experience physical and emotional strain, decreased job satisfaction, and delayed personal goals. Employers, meanwhile, face workforce planning challenges and rising costs.

40%

of U.S. workers aren't saving enough to maintain their lifestyle in retirement.[1]

Only 14% of Gen X feel they've saved enough money for retirement.[2]

A comprehensive Principal® analysis reveals employers pay an average of *$103,000 per year for each employee working past age 65.[3]*

Focusing on those who delay retirement due to financial shortfalls, not personal choice, the analysis explores the cost of delayed retirement through an industry lens. It reveals insights into how different sectors can be impacted and how strategic plan design—particularly automated features—can help address these challenges. **When implemented thoughtfully, features like automatic (auto) enrollment, auto-increase, and annual re-enrollment can help employees build retirement savings over time—typically at a lower cost to the employer than the expense of delayed retirement.**

By understanding the drivers behind delayed retirement and tailoring potential solutions to industry-specific needs, employers can support their employees while managing long-term costs.

28%

The projected increase in employees over the age of 65 by 2033.[4]

[1] Center for Retirement Research at Boston College, The National Retirement Risk Index, February 2024.

[2] Schroders 2024 US retirement survey, August 2024.

[3] Principal® Cost of Delayed Retirement Analysis, September 2025. Based on data from the Bureau of Labor Statistics. All data is from this analysis unless otherwise noted.

[4] U.S. Bureau of Labor Statistics, Employment projections, Civilian labor force by age, August 29, 2024.

What's the cost of delayed retirement by industry?

The desired retirement age varies by job, person, and industry, ranging from as early as 55 to 70 and older. This analysis uses age 65 as the desired retirement age and determines delayed retirement costs as the difference between what an employer pays an employee past their desired retirement age compared to a new hire. On average, delayed retirement costs employers $103,000 per employee per year. Broken down by industry, the costs range from $75,000 to $126,000. These costs are driven by compensation and benefit costs for more tenured employees: Higher salaries and bonuses, increased healthcare premiums, and more paid time-off.

KEY INDUSTRY HIGHLIGHTS

The analysis organized industries into four key categories[5]

	Office-based	*Healthcare*	*Labor-intensive*	*Service-oriented*
	Finance, professional services, technology	Health services, education	Agriculture, construction, mining, manufacturing, transportation, utilities	Retail, leisure, wholesale, hospitality
Annual cost per employee age 65+	**$126,000**	**$121,000**	**$93,000**	**$75,000**
Percent of employees age 65+	**7.4%**	**7.2%**	**6.4%**	**6.7%**
Annual cost for a 1,000 employee organization	**$9.3M**	**$8.7M**	**$6.0M**	**$5.0M**
Key driver	High compensation structure with extended careers	Specialized skills impact retention	Physical demands influence earlier transitions	Mix of short-term and career employees

Because the costs vary widely by industry, they can be difficult to predict and manage. This is where proactive plan design becomes essential. Employers looking to mitigate the long-term expense of delayed retirement may find a more sustainable way to manage using plan design best practices, including automated plan features. Such resources may help employees build savings earlier and retire on time, while also helping employers control costs of delayed retirement.

[5] The office-based industry includes: Financial activities, professional and business services, and information. The healthcare industry includes: Education and health services. The labor-intensive industry includes: Manufacturing, transportation, utilities, agriculture, forestry, hunting, and fishing, mining, quarrying, oil and gas extraction, and construction. The service-oriented industry includes: Wholesale and retail, leisure, and hospitality.

How automated features can help offset the cost of delayed retirement

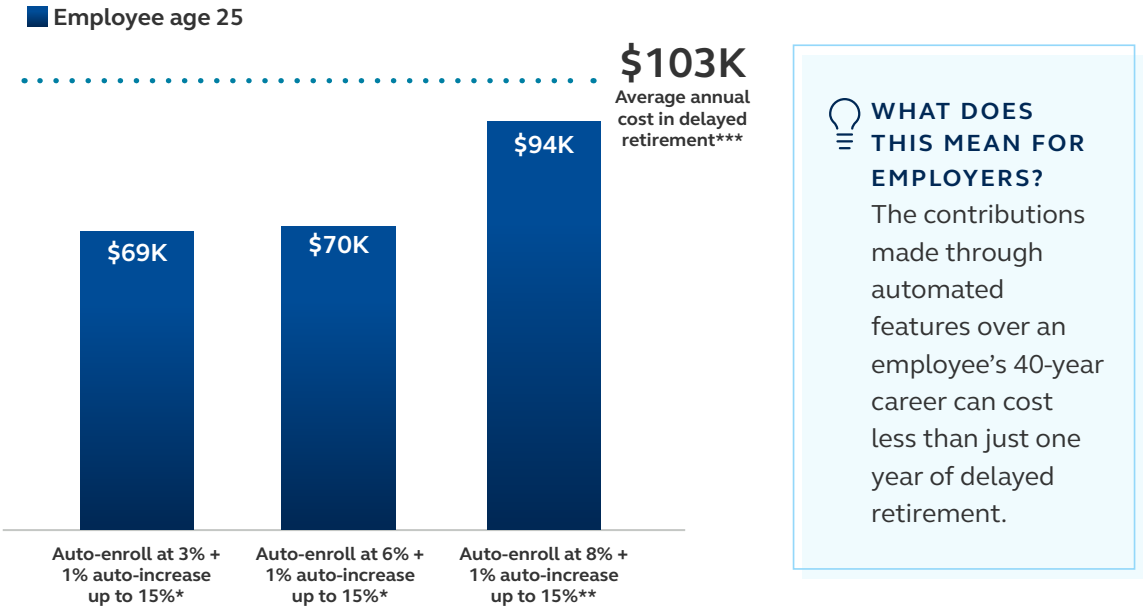
While some employers may hesitate to invest in automated plan features due to perceived upfront costs, the long-term financial comparison may tell a different story. Supporting retirement readiness through automated features can typically cost less than the expense of delayed retirement.

Investing today versus future expenses. The analysis shows that employer contributions made over the course of an employee's career—when automated features are in place—may total below the cost of just one year of delayed retirement. Investing today in automated features can be a smarter, more cost-effective move than the ongoing expense of delayed retirement. It also supports retirement readiness, empowering employees to retire on their own terms.

The chart below highlights that a proactive plan design can be a more sustainable and cost-effective strategy for employers.

Cost comparison: Adding automated features versus delayed retirement

Employer contributions (in future dollars without earnings)



WHAT DOES THIS MEAN FOR EMPLOYERS?
The contributions made through automated features over an employee's 40-year career can cost less than just one year of delayed retirement.

The chart illustrates the extra costs in match contributions an employer may incur when adding automated plan features like automatic (auto) enrollment and auto-increase. The scenario assumes that employees would eventually enroll in the retirement plan on their own and the employer would make the necessary amount of matching contributions.

** Assumptions: An individual with a retirement age of 65, starting salary of $50,000 with 3% annual increase, an employer match of 50% up to 6%*

*** Assumptions: An individual with a retirement age of 65, starting salary of $50,000 with 3% annual increase, an employer match of 50% up to 8%.*

The scenario assumes that an employee would eventually self-enroll into the retirement plan at age 40, contributing enough to receive half of the maximum employer match. At age 50, it's assumed their contribution amount will exceed the maximum employer match by 3%. The contribution percentage is rounded to the nearest whole percentage to account for plan and recordkeeper limits on partial percentages.

**** Data is point in time and based on our calculations. The average annual cost of delayed retirement ($103,000) is based on the difference between total compensation (salaries, bonuses, health insurance premiums, and paid time off) paid to an employee who delays retirement beyond the desired retirement age (age 65 for this analysis), compared to the compensation that could have been paid to someone entering the workforce at age 25 after the employer has exhausted the succession process.*

For illustrative purposes only.

How automated features can be tailored to each industry

Delayed retirement doesn't affect every industry the same way. Factors like job type, compensation, and workforce demographics all play a role in shaping the impact. Some sectors face higher costs, while others deal with workforce planning challenges. Here's a look at how different industries have been experiencing the effects—and how plan design may help.

OFFICE-BASED

Office-based industries face the highest per-employee delayed retirement costs. Less physically demanding work allows for longer careers, while higher salaries amplify potential costs.

In this industry, upward mobility often leads to significantly higher earnings later in an employee's career. However, qualified plan contribution limits may prevent high earners from saving enough if they didn't start saving early in their career.

Automated features strategy:

Considerations for maximizing savings potential given higher compensation

- Start auto-enrollment with a higher default rate (8-10%) to help boost early savings, support higher earners, and potentially set all income levels on a path to retirement readiness.
- Implement 1% auto-increase as longer careers could allow more gradual savings to build.
- Explore stretching match options (e.g., 50% on first 8% contributed instead of 100% on first 4%).
- Allow immediate eligibility to help capitalize on higher earning potential.

HEALTHCARE

Healthcare industries have one of the largest groups of older workers, many of whom bring specialized skills and deep institutional knowledge to their roles. These employees are essential to the continuity of care and the overall strength of healthcare organizations.

Supporting retirement readiness through thoughtful plan design can help healthcare workers retire when the time is right for them—on their own terms. This not only helps manage costs but also supports long-term workforce stability and employee well-being. Effective retirement planning also helps healthcare organizations manage their workforce pipeline, creating natural progression opportunities for new talent.

Automated features strategy:

Potential approaches to address succession planning and specialized workforce needs

- Implement auto-enrollment with a 6% default rate.
- Begin with a 1% auto-increase, with flexibility to implement a 2% option for faster savings growth.
- Conduct annual re-enrollment to help maintain participation and reengage those who may have stopped contributing.
- Allow immediate eligibility to support retention of skilled workers.

LABOR-INTENSIVE

Labor-intensive industries haves a smaller proportion of older workers, which aligns with the physically demanding nature of many jobs in this industry. Because tenure may be shorter than in other industries, plan design should focus on maximizing savings during active working years. This can also support workforce planning by creating more predictable transitions. Employers have an opportunity to support their workforce by helping employees build strong retirement savings early in their careers.

Automated features strategy:

Possible ways to make the most of shorter saving windows

- Implement auto-enrollment with a 6% default rate. Educate later-career employees on the potential benefits of a higher contribution rate to help accelerate savings.
- Start with a 1% auto-increase, with flexibility to implement a 2% option for faster savings growth.
- Lower eligibility age and allow immediate eligibility, to help younger workers start saving sooner and maximize their savings window.
- Conduct annual re-enrollment to help maintain participation and reengage those who may have stopped contributing.

SERVICE-ORIENTED

Service-oriented industries have the lowest per-employee delayed retirement cost, but that doesn't mean the impact is minimal. Employees are often highly mobile, with a mix of short-term and career employees. Lower wages and high turnover can make it difficult for employees to build sufficient retirement savings, while also complicating plan design for employers seeking to balance cost and coverage.

One potential solution is to explore dual-plan structures that allow auto-enrollment for career employees while offering flexible options for others. This approach can help plan sponsors manage costs while still supporting long-term financial wellness across their workforce.[6]

Automated features strategy:

Potential solutions to address the needs of both workforce segments

- Implement a dual auto-enrollment structure:
  - For career employees: Immediate auto-enrollment with 4% default rate.
  - For short-term employees: Delayed auto-enrollment (after 6-12 months) with 3% default rate.
- Consider graduated auto-increase options:
  - Career track: 1% auto-increase up to 10%
  - Short-term track: Optional auto-increase after 1 year of service.
- Design a simple, clear match structure to encourage participation across both employee segments.
- Conduct periodic re-enrollment campaigns to maintain engagement, especially for career-track employees.

[6] Plan approach will likely require additional testing and cost.

What else is impacted by delayed retirement?

Delayed retirement isn't just a financial issue—it's a workforce dynamic that can affect employees and employers in meaningful ways.

When employees aren't financially prepared to retire, it can create tension between personal readiness and workplace realities. Delayed retirement can create a ripple effect felt across organizations.

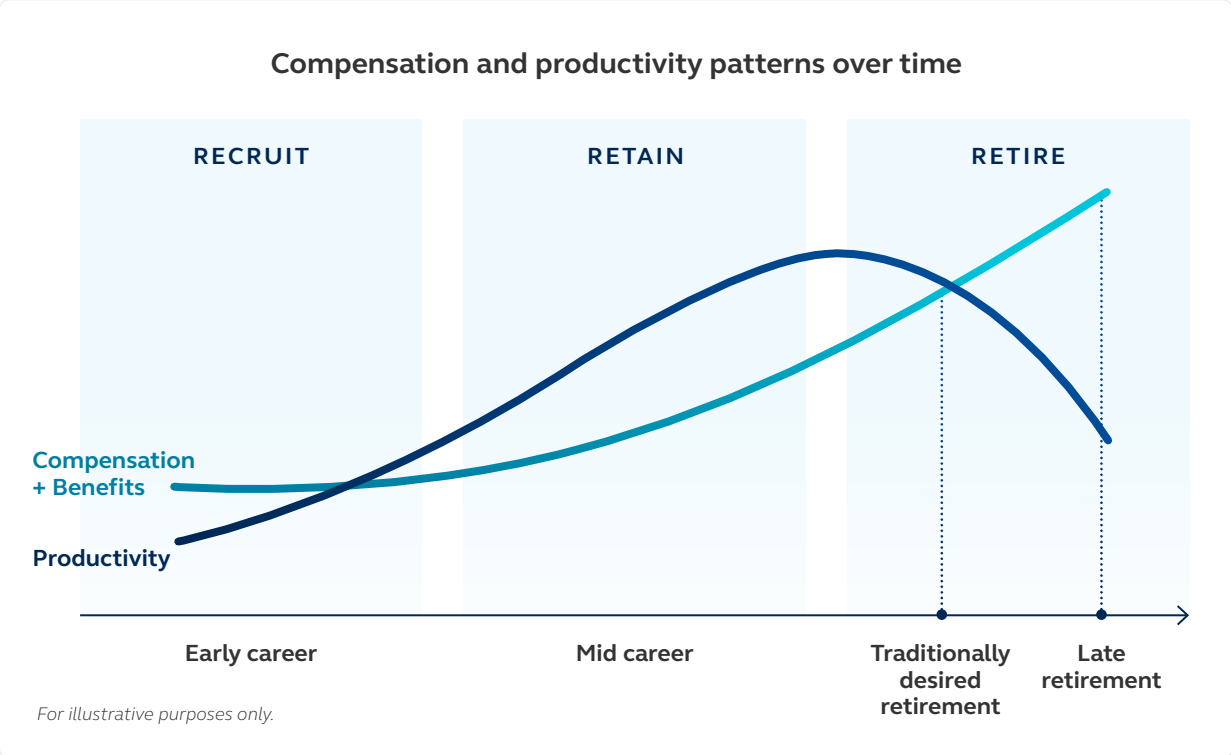
Career progression can stall. Workforce planning can become more complex when employees work longer than originally anticipated, affecting career development opportunities across all levels.

Recruitment may suffer. With fewer openings, it may be hard to bring in new talent with diverse perspectives and skills.

Succession planning can slow. Knowledge transfer and leadership development can be disrupted when transitions don't occur as expected.

Employee culture might shift. When employees feel financially unprepared for retirement, it can affect job satisfaction and workplace engagement.

It's important to remember this analysis doesn't mean that everyone past the desired retirement age isn't productive, it simply recognizes that every employee will eventually reach a point when they are physically, mentally, and/or emotionally ready to retire. The point is, if they are ready but financially incapable of doing so, productivity can drop. At the same time, total compensation typically continues to grow, outpacing productivity and creating a cost of delayed retirement.



Ready to reduce the impact of delayed retirement using automated features?

The cost of delayed retirement can present a significant challenge for employers across industries. While the impact can vary, the possible solution remains consistent: plan design using automated features.

The investment over an employee's career in automated features may be less than the recurring annual cost of delayed retirement. For organizations looking to manage costs while supporting employee retirement readiness, automated features can offer a path forward.

By implementing these features, employers may:

- ✓ Help employees build adequate retirement savings
- ✓ Support retirement readiness across their workforce
- ✓ Manage the substantial costs of delayed retirement
- ✓ Create more predictable workforce planning

LET'S GET STARTED

Connect with your Principal representative to explore how automated features can help your organization manage delayed retirement costs within your industry. They work with plan sponsors and financial professionals to understand workforce needs and help create a tailored retirement plan to drive particiation and improve savings behavior. Discover how these powerful features may facilitate successful retirements.

Important information

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