

HOW TO SUCCESSFULLY MAKE THE TRANSITION INTO RETIREMENT: ANSWER FIVE SIMPLE QUESTIONS

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In America today there are nearly 12 million workers over the age of 55 that are eligible to retire. That number is expected to grow to over 3 million each year (10,000 each day) over the next two decades as Baby Boomers, individuals born between 1946-1964, are on track to leave the workforce. That sum of 78 million Baby Boomers is a huge number of people! If you are thinking a lot about retirement these days or planning for it you are not alone.

According to Alan Greenspan, former head of the Federal Reserve Board, the economics of retirement are quite straightforward: “enough resources must be set aside over a lifetime of work to fund consumption during retirement.” But life after retirement is not just about economics. It’s much more! It’s about reaping the benefits from the resources gathered, invested and carefully managed for future use. It’s the payoff from a time of experiences, dedication and risk taking. It’s about doing more of what you have postponed; promises you want to keep (to yourself and others). It’s the time for what is important to you; a focus on your legacy. The question on the minds of everyone who is planning to retire is, “How does one successfully make the transition into retirement?” We think it takes asking and answering five simple but essential questions before retiring to fully and accurately understand if you are ready.

Before you sit down with your financial advisor or planner, spend time at the kitchen table answering the following five questions. As you work through the questions there will be insights and discoveries of what it takes to make a successful transition into retirement. If you are fortunate to have a partner, answer the questions separately. You might be amazed at your partner’s answers. Come together and discuss your responses; talk about them and be creative on potentially sticking points. This process may take a while at the beginning, but it will be worthwhile and save you from lots of surprises later.

Question #1: What is retirement?

Surprisingly, very few pre-retirees can answer this question and it is not entirely their fault. American society—government, educators, employers, nonprofits—have done a dismal job preparing us for one of the most significant transitions in adulthood. Although nearly everyone knows about it and can see it coming, the concepts generally used to describe it are vague and misleading. Governmental policies and laws alter our intent, attitudes are changing, and there are no reliable sources or a good information base available to pre-retirees. Outside of pension and employee benefit questions, it is impossible to talk with one's employer because they are either conflicted about your retirement or they do not get it either!

Here is what retirement is not:

- ❖ It is not the finish line.
- ❖ It is not the end of your life.
- ❖ It is not the fulfillment of the “American Dream.”
- ❖ It is not necessarily “better.”
- ❖ It does not mean the end of working.

Here is what we believe retirement is:

- It is one of the most significant transitions in adulthood.
- It is increasingly *employee-driven* and not employer- nor age-driven.
- It is a major life change that unsettles our lives, shakes us up, and takes time to adjust to emotionally.
- It is usually the closing a chapter in our life (like a working relationship with your employer and close daily contact with coworkers) but the beginning of the next phase of adulthood; of taking control and doing more of what is important while honoring our obligations, what we call “Second Adulthood.”
- It is staying active, vital and accomplished for two to three decades and beyond.

So more to the point, as retirement is transformed what does it mean to you? This shift in perspective and our understanding of what retirement is creates an opportunity to think independently on how to make the next phase of life more than traditional retirement but your second adulthood. For example:



- You can determine when and how to retire, if at all. The opportunity to think-out-of-the-box and consider such options such as “phase/seasonal retirement,” “bridge employment,” or “flex time.”
- Explore other productive outlets such as changing careers (passion work), “encore career” or turning your avocation into your vocation.
- Find a purpose thru volunteering with your church, local charity, public/community programs, etc.

This new paradigm second adulthood, created by independently-minded Baby Boomers is evolving each time a retiree plans their next phase of life and pushes these concepts even further. So it's not surprising that a number of Boomers have retired retirement (about 1 in 5) tell us they will never retire and nearly half are planning to work at least until their 70's. This is the perfect time to dust off our dreams, clear away the years cobwebs that's covered our passions and chart the next course in life!

Question #2: How long can you expect to live?

This isn't as complex as it seems. Today, it is possible to predict with some certainty what your life expectancy is. Most recent data from government and insurance actuary sources project the life expectancy of the average Baby Boomer to be 81 years for females and 76 years for the average male Boomer. These are just averages, statistics. But to predict your longevity you need a little more information about your family gene pool (ethnicity, predispositions, genetic history) and critically review your lifestyle factors (nutritional patterns, exercise regime, marital status, environmental exposure, engagement in high-risk behaviors). This information is also helpful in answering questions 3, 4, and 5 that follow.

Of course, it is not just about the length of life but the quality of life that is important to most of us. If you are projected to live to age 90 but your last 10 years are defined by a painful, debilitating ailment that robs you of the life you've planned, it's not much of a life. So, in effect, you need two predictions: length of life and length of life at an acceptable level of vitality. With a little time exploring various life expectancy and longevity calculators' website that ask for family history and lifestyle factors, one can predict with greater confidence how long you will live or expect to live. Don't forget to have a frank discussion with your family physician and a

review of your family tree. Each will help establish a good starting point for your analysis.

Question #3: What are your responsibilities and obligations?

Eighty-seven percent of Baby Boomers are married; most of these own their homes and have both immediate and extended families. They also have friends, pets, debt, favorite charities, and other kinds of affiliations. Over seventy percent of all Boomers have aging parents and most have adult children with grandchildren. Clearly, Boomers are not alone, and they have responsibilities and obligations that must be considered in conjunction with retirement. As one plans for retirement, we must ask the following questions: Which responsibilities and obligations will continue and perhaps expand; which are no longer meaningful (in retirement)? Which responsibilities and obligation will surface during this life stage? Will you be a member of the “sandwich club,” caring simultaneously for elderly parents and your boomerang adult children who have returned home because they have found life a bit overwhelming? Will you be raising grandchildren?

In a revealing study in 2006 by the Urban Institute, Boomers ages 51 to 61 were tracked over a 10- year period. More than three-quarters of these experienced job layoffs, widowhood, divorce, new health problems, or the onset of frailty among parents or in-laws. More than two-thirds of adults aged 70 and older during the same time frame experienced at least one negative shock. Incidence rates are even higher within households for married couples, who face the added risk, that their spouses could develop health problems or lose their jobs. At retirement you will need to understand the extent and breadth of your obligations, and build in some room for the unexpected ones. Your list obviously impacts the answers to Questions #4 and #5 below.

As these issues become more mainstream, there is a growing awareness and both public and private enterprise are developing services and products. In San Diego and nearly 200 major cities across the America an “Eldercare Directory” is available. In addition, most communities have an active senior community services program thru the City Park and Recreation. Also online is the National Online Eldercare Resource.

Question #4: What are you going to do for the next twenty years? (Planning your Second Adulthood)

Here is a biggy. Few of us have taken the time to consider this question. Our externally focused busy lives, often living from paycheck to paycheck, encompasses raising children, working 60-hour weeks, accumulating adult toys, and keeping ourselves youthful, leaving us little time to think about the next chapter in our lives. We didn't realize we were the first recipients to reap the full benefit of the gift of longevity. Most Boomers will enjoy this gift living 1-3 decades longer than previous generations; not only living longer, but living healthier lives with greater vitality and more options.

If you are working part-time or not working at all, what will you doing? The answer, of course, depends on what is most important to each of us. Perhaps you will use your Boomer 'gift' to follow your passions and dreams that have been on 'hold' during the first part of your adulthood, or perhaps to take care of some personal unfinished business. Maybe this is the time take on new responsibilities by helping to re-build your community, spend more, time with grandchildren, and so on. You might even have a "bucket list" of things you just have to do before you kick-the-bucket. For most of us there is not one thing, but rather, a number of things that are pretty important. This is your time. You choose.

We think and promote the idea that this is a great time to start your *Second Adulthood*, move away from the things you have to do as an adult (aka First Adulthood) to the things you really want to do with the precious time you have left. And so, there is some strategic planning involved in post-retirement. What we suggest is create a Longevity Planning (LP) that includes launching a robust Second Adulthood; which requires forethought, consideration of others, juggling priorities, some critical thinking, managing key relationships, allocating time and resources, and a bit of courage. All of this is tempered by your answer to Question #1 – "What is retirement?" as well as the ability to manage your findings from Question #2 – "How long can you expect to Live?" which encompasses the physical and mental effects of aging and the inevitability of chronic disease.

Question #5: What resources will you need?

Intentionally, this is the final question on the list. It cannot be answered until all of the previous ones have been answered because “retirement” is not just about money. Yes, wealth and the amount of money you will need to maintain a desired lifestyle are important, but money doesn’t buy happiness, health, or more time. So, don’t discount other important personal resources such as your time, relationships, energy, talents and health when preparing for the rest of your life

When carefully managed, personal resources can be a huge influence on the effects of falling into poor health or running out of money prematurely, living independently or working as long as possible, losing a spouse or partner, and encountering other life issues that undermine security and well-being that comes with increased age.

To get started answering Question #5, take out a sheet of paper and make list of all your resources. Keep this paper handy. Place it on the refrigerator or have it on your computer so you can see it and revise it if necessary every day. This is not something accomplished in an hour or two but rather it is a living document you will keep revising. It must be an ongoing consideration as life circumstances shift and change— and they will as you age. Once you have a working list of resources, begin creating a second list of what you want to do in retirement. Now with these two lists look at how to effectively use your resources and accomplishments your want to achieve in retirement.

When all resources are identified and understood each can be redeployed in retirement. Think out-of-the-box and try combining resources by minimizing retirement expenses (i.e. barter talent and time instead of money, take steps to a healthier lifestyle to lower your cost for medication, volunteer at the Peace Corp to work in exotic locations) or changing priorities (i.e., retiring later, working longer, buying a retirement home before you retire, transition into passion work before retirement). This strategy makes it possible for the 21st Century American retiree to remain active, vital, and productive as long as possible in creating meaning and purpose during retirement.

