

# Retirement Ready: Partners, Pastimes and Paying the Bills

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Although we've conducted workshops for hundreds of folks as they prepare for the transition from work to retirement, Roberta still recalls the shock she felt when facing her first such group—they were all so young! She says, "I thought I was well-prepared—I had done my homework and knew that the participants had received early retirement incentives (some voluntarily, some not). I knew that they'd each worked for their company for 25 to 30 years. What I didn't know was that some had started working there as teenagers! Doing the Math, I realized I had a group of "retirees" that were in their mid-forties or early fifties. I instantly realized that I had to challenge my own assumptions about retirement, especially as someone who felt like I was in mid-career at close to the same age." Gerry speaks from a different perspective, having retired from a busy financial career at 49—too young, in his mind, to "retire" but definitely ready for a very different pace of work.

We always ask our retirement workshop participants to think about people they know who've already retired. The description that we hear most often is, "They look 10 years younger." We also hear how busy these retired folks are—they wonder how they'd ever found time to fit in work before. Many who thought they might continue working never do - not for lack of opportunities.

However, not everyone finds the transition to retirement so easy or satisfying. This paper addresses some of the strategies that people have found useful as they move on to this significant next phase of their lives. We'll share case examples as we attempt to challenge some of the myths about retirement and describe what it's really like. By looking at all of the phases of retirement, from pre-retirement through to full retirement, we hope this paper will not only help prepare individuals for their own retirements but also help career practitioners better serve this growing segment of the population.

### **Pre-Retirement Planning**

With most significant life changes, people go through a series of stages before feeling settled in a new role or situation (Bridges 2001). The same is true for retirement. Between the pre-retirement stage and the final stage of feeling settled into retirement, it is common to go through honeymoon-like periods of fun and adventure (e.g., the long anticipated extended vacation), low points of disillusionment and even despair (e.g., "Is this all there is?"), and then times of self-reflection and re-direction. Although like most developmental stages in life, the steps and the timeline may be predictable.

Some individuals begin their pre-retirement planning with their first Registered Retirement Savings Plan (RRSP) contribution in their late teens. Others have scarcely considered retirement when they are presented with a non-voluntary early retirement "opportunity." Still others don't do much planning until they've already been retired for a while and realize that something about retirement isn't working for them.

People retire for very different reasons. One busy Chief Executive Officer (CEO) of a dynamic, challenging healthcare organization said, "I'd like my work to end at the end of the day." For him, although retirement may well include ongoing work, ideally it won't be so demanding and all-consuming. Others, however, are eager to build a life of total leisure or more time with family and friends.

Pre-retirement planning, therefore, needs to be customized to individual needs. For those not intending to earn any additional income by working after retirement, pre-retirement financial planning may take on greater significance. Some families may find it particularly challenging when one spouse retires before the other. Pre-retirement planning for them may involve discussing shifting roles and responsibilities at home or readjusting individual retirement expectations to fit their new reality. We had one client who enrolled in cooking classes because he retired a few years before his wife and wanted to help out at home. We had other clients (a married couple) choose to maintain two homes—the retired partner relocated part-time to get a home and life established in a new community where they both hoped to retire in the future.

Many of our clients express common concerns, usually about money (Will I have enough?), time (What will I do with all of it?), health and fitness (Will my body keep up with my mind? or vice versa), relationships (How will my partner adjust? Will I be able to make new friends? How will I keep in touch with my former colleagues?), and housing (When should we downsize? Should we move to a new town?). However, with a bit of pre-retirement planning, these concerns can be considerably diminished.

## **Financial Planning**

By far the biggest pre-retirement issue for most individuals is financial planning. Typically this is the concern that will compel folks to buy a book or register for a workshop. Usually people who offer financial planning workshops or individual advice are not transition counsellors or career practitioners. In some pre-retirement programs, financial seminars might be fully booked while workshops on transitions or retirement readiness are cancelled due to lack of interest. Therefore, it has been our experience that partnering to offer our seminars has worked well. People come because they're interested in the financial part but leave with a much deeper understanding of the rest of the retirement process.

There are three important financial questions to ask when considering retirement: Can I afford to retire? Am I satisfied with my personal financial situation? and What does financial security mean to me?

Some individuals will be fortunate enough to retire with a pension from their employers or union. However, even those that are in this enviable position often don't know the details of their pensions. This is especially true for folks that have been given termination packages that are intended to help them reach a pension milestone. We've had many clients wait months after leaving work to get accurate and up-to-date information that will allow them to make an effective financial plan.

Most Canadians can also expect to receive an income from the Canada Pension Plan (CPP). While the current maximum is \$788.75/month at age 65, the average monthly benefit is significantly lower (\$440.39 in 2002). It is important to note that CPP is calculated based on three factors: (1) years of contribution, (2) amount of contribution, and (3) age that CPP is to start (HRDC 2002a)

Many Canadians will also be eligible for Old Age Security (OAS) benefits at age 65. OAS is based on how long the recipient has been a Canadian resident. The maximum benefit at present is \$449.32/month if you've lived in Canada for 40 years or more since turning 18. An individual living in Canada for more than 10 years since turning 18 may be eligible for a partial pension. Social security agreements between Canada and some other countries may increase this residency credit. However, individuals with incomes between \$56,968 and \$92,541 can expect to have part of their OAS "clawed back." Under the present rules, those with annual incomes greater than \$92,541 would have their entire OAS benefit eliminated (HRDC 2002b).

Many Canadians are counting on savings to supplement their retirement incomes. As an example of how savings can accumulate, over the past several years, less risky investments such as long term bonds and investment certificates may have averaged a 2.85% return. Stocks, though more risky as investments, may have averaged an 8.2% return. A balanced portfolio, recommended by most financial planners for retirement planning, would have averaged a return of 5.53%. Using these numbers, an individual saving \$6,500 per year for 30 years (i.e., between the ages of 25 and 55) would have retirement savings of \$500,000. If the investments continue to average 5.53% after retirement, the individual could withdraw an income of \$32,700 per year for the next 30 years (i.e., between the ages of 55 and 85).

Clearly, those who begin early to save for retirement will find the transition less of a financial strain. Unfortunately, however, many Canadians will be facing a big financial adjustment once they retire. For some, life events such as divorce, losses on the stock market, or unexpected job loss, may disrupt the retirement they had previously planned. Some will downshift and simplify their lifestyles to accommodate their reduced incomes; others will choose to continue to work in a post-retirement career. In organizations without mandatory retirement, some individuals will never retire at all.

## **Planning for Life Beyond Working**

Once financial concerns are addressed, the appeal of retirement for most people, like the CEO we mentioned earlier, is to take back control of their time. One recently retired executive secretary said, "It's so great to have time to enjoy my grandchildren. I love not having to rush." One couple, who had both retired from busy corporate management careers, reported, "Between the gym, golf, lunches, and travel, our days are full." Clearly, for them, retirement had freed up time for fitness and leisure.

However, many retired clients report being busier than they ever were before. It seems important, then, to address time management, prioritizing, goal setting, and action planning as significant pre-retirement activities. Although “planning” and “retirement” may seem like an oxymoron (i.e., Doesn’t one retire to gain some freedom and flexibility?), the irony is that planning may be essential to free up sufficient time to accomplish all the retirement dreams and goals. Stephen Covey (1994) talks of “values-based time management.” Knowing which opportunities fit with one’s life plans, and which opportunities to pass up because they’re only distracters, is crucial to retirement satisfaction.

As one of our clients recently put it, “You need to practice your retirement.” In her case, she’d begun 10 years before leaving work to build her post-retirement lifestyle- from corporate manager and mother of seven to cowboy (Note: she prefers that term to any gender-neutral version of it). She’s established relationships within her new industry, built the skills that she’ll need to do the work, found things she didn’t enjoy doing (and quickly discarded them), involved her family in her plans, spent weekends and holidays living her dream, arranged her finances, and is ready to relocate once her youngest child completes school next year.

### **Retirement Lifestyles**

Our experience has taught us to never make assumptions about what people plan to do once they retire. While for some, retirement means never working for money again, others quickly return back to their original employers as contractors. Still other retirees work pretty much full-time, but not for money. They find volunteering a meaningful way to give back to their communities. Others return to school or engage in challenging self-directed learning projects. Others begin major projects at home. Still others become more active in sports or fitness activities. Many choose to do travelling that they didn’t have time for while raising a family and working. Part of retirement readiness, then, involves giving thought to post-retirement lifestyles and negotiating expectations clearly with family members and others who will be impacted by significant lifestyle changes.

### **Returning to Work**

In a recent survey of retirees, Drake Beam Morin (DBM) found that 64% planned to return to work part-time. Of these, about half wanted to work for personal satisfaction while the remainder were motivated more by financial concerns (i.e., fear of outliving their money, investment losses in the current tough economy). Of all the retirees surveyed, 33% said that their biggest retirement challenge was ensuring they had adequate money (DBM 2002).

These findings are consistent with other studies (Finlayson, 2002). Reasons given for staying at work were varied but included financial necessity (i.e., dwindling retirement savings and escalated health care costs). Non-financial reasons for working, on the other hand, included better health, a longer lifespan, being valued as employees, and no mandatory retirement age. One of our clients has chosen to work at two seasonal jobs: during the winter as a ski instructor and during the summer on a golf course. He says, “How could it get better? I’m getting paid to do what I love.” Another client, retired from work as a technical specialist who was tied 24/7 to a pager, said, “I don’t mind working as long as it fits with my schedule. But I want chunks of time off and I don’t want to work weekends anymore.”

Clearly, career practitioners have much to offer retirees who choose to return to work. They can coach clients to capitalize on the anticipated demand for skilled workers by sharing up-to-date labour market information with them. Career practitioners can also help diminish employers’ concerns by encouraging clients to update their resumes with today’s buzz words (omitting old skills and dated language), upgrade certificates, and become familiar with new technologies. Career practitioners can also help newly retired individuals become more comfortable discussing salary expectations, because many employers are worried that they can’t afford to pay what a retired person might have earned in the past. Career practitioners can also advocate with employers by challenging some of their misperceptions about older workers (e.g., health issues, lack of current skills, lack of flexibility). Many of our clients, in fact, have good safety and attendance records, are quick learners in applied settings, are flexible, and, in the right circumstances, would be willing to relocate.

## **Volunteering**

Not everyone, of course, is interested in returning to work after retiring. Many don't have a financial need to work for pay and others are more than willing to change their lifestyles to reduce their need for money. However, most people who retire still have a great deal of knowledge and skills to share with the world. For example, ex-UN Secretary General, Dag Hammerskjold, is widely quoted as saying, "You have not done enough, you have never done enough, so long as it is possible that you have something to contribute."

There are many good reasons for considering volunteering as a post-retirement activity. Some individuals use volunteering to position themselves for careers in a new field or industry. Others find that volunteering keeps them learning and growing, offering them mental stimulation. Still more, volunteer to stay physically active and challenged. Others use volunteering to translate their interests into action. Many people volunteer purely to give something back to the community. One of our clients shared a plan for the first 10 years of retirement: To live in 10 different parts of the world for 10 months at a time, returning home to Canada each summer. He intended to volunteer in each country that he lived for three reasons: first, as a way of sharing skills or knowledge with those he met, as a way of providing structure and purpose for his daily life as he travelled, and finally as a strategy to get more involved with the local people and their culture.

Volunteering, however, can become demanding and sometimes takes up more time than was intended. Therefore, another important retirement skill is to learn how to graciously "unvolunteer." Strategies that have worked for some of our clients include: Accepting only short-term projects, making a specific time commitment at the beginning (e.g., 3 months or 2 hours per week), ensuring that a knowledge transfer strategy is in place, and being open about goals for volunteering and other life commitments.

## **Returning to School**

Many individuals look forward to retirement as a time for learning. While some embark on self-directed projects, others enrol in continuing education programs or special programs for older adults (e.g., Elderhostel or Eldercollege). A few use their retirement years, and senior's discounts, to complete a long hoped-for degree program at university. One person we know retired at a very young age after selling a successful business. He registered in a local university for 1 year but found being registered in a single program too restrictive. He now continuously audits courses that interest him. This strategy, he found, allows him to study what he wants without being bound by program or degree requirements. He's been doing this for more than 10 years. Retirement does have its privileges!

## **Retirement Success Factors**

Regardless of post-retirement lifestyle choices, individuals can benefit from accurate information as they prepare for retirement, and support as they move through the transition process. The Career Services website of Drake Beam Morin identifies 10 retirement success factors: work reorientation, retirement attitude, self-directedness, perception of personal health, financial security, life satisfaction, life meaning or purpose, leisure activities, adaptability, and supportive family and other relationships. They conclude that, "people who retire successfully are those who respect and remember their former occupation or profession, but no longer depend on their previous work roles for their identity" (DBM, 2002). Both career practitioners and financial planners seem to have clear and complementary roles to play as they help their clients prepare for a successful and fully satisfying retirement.

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