

Excerpt from Retirement Lifestyle ebook/eclass

Eclass 3: Economic Realities

Have you gone to one of the online retirement savings calculators that compute the amount of money you will need to retire at the level you want? It's probably worth doing if you need a morning jolt. These calculators base their results on when you plan to retire, how long your retirement will last and how much you would like/need per year during your retirement.

"The question isn't at what age I want to retire, it's at what income," said George Foreman, entrepreneur and former boxing champion, and that seems to fit what we Baby Boomers are dealing with.

Some experts say we are entering a "retirement savings crisis." According to the (U.S.) Employee Benefit Research Institute's (EBRI) 2008 Retirement Confidence Survey, 49 percent of workers age 55 and up have saved less than \$50,000 for retirement—not including the value of a primary residence. And 22 percent of workers in the same age group have little to no retirement savings. A separate survey by Thrivent Financial for Lutherans estimates that one in five pre-retirees age 50 to 64 has less than \$5,000 accumulated for retirement.

Many Baby Boomers' reaction to this news would be, "Oh, thank goodness I'm not the only one out there who isn't financially prepared!" However, it does emphasize the fact that many of us will need to produce income well into our retirement years. The good news is, many of us Baby Boomers want to continue working past retirement age anyway, according to experts.

The EBRI survey found an increasing percentage of Americans work past the traditional retirement age. The percentage of those aged 65 to 69 still on the job in 2006 rose to 29 percent from 18 percent in 1985. These are both full-time and part-time employees. Regardless of whether they continue working for mental stimulation, income or sustained access to health care coverage, EBRI sees this trend building.

A major concern for pre-retirees is the need for health expense coverage in their older years. In 2008, EBRI found that men age 65+ retiring in 2008 will need about \$64,000 to \$159,000 and 65+ women will need \$86,000 to \$184,000 in savings to cover health insurance premiums and out-of-pocket expenses during retirement—if they are comfortable with a 50 percent chance of having enough money.

Our major sources of income going into retirement are: company savings plans and pensions; individual investments and retirement accounts; government retirement benefits (e.g., in the U.S., Social Security benefits); inheritances, home equity and possibly veterans or military benefits. You might want to think about how these will apply to your income.

But, just figuring out how much money you will have isn't helpful until you decide how you will use that money on the type of retirement lifestyle you desire.

Retirement income considerations

I presume that because you have joined this mentoring program you have an interest in working to some extent during your retirement. Let's consider the possible structure of this.

Balance and Rhythm:

Think about how you want to balance your time during retirement. You could build in time for work, learning, volunteer work, family quality time and just plain leisure. What is your emphasis? If you plan to continue working, how much free time do you want to pursue other activities?

When you think about how to structure your future working life, consider the following:

- Do you want it to be predictable and routine or variable and periodic?
- How much free time do you want to build into your retirement lifestyle?
- What level of flexibility do you require in your work time and income to allow you to go on that world cruise or deal with a health emergency?

Challenge:

Also, consider how much challenge you want in your new working life. Consider:

- Do you want your work to be interesting, but not overwhelming?
- Would you prefer to work alone or with others?
- Would you want to work for yourself or for someone else?
- How much responsibility do you seek: Do you want to be a leader, a manager in charge of staff or completely autonomous?
- How many hours per week and months per year do you want to work?

5 main types of retirement styles:

Nancy Schlossberg, author of *Retire Smart, Retire Happy: Finding your true path in life*, suggests there are five common approaches to retirement.

1. Continuers — who remain connected to work and use existing skills and interests.
2. Adventurers — who reinvent themselves, acquire new skills, undertake new endeavours and keep moving.
3. Searchers — who use trial and error: plan and implement Plan A, and if that fails go to Plan B.
4. Gliders — who don't have a particular direction planned, but just make decisions as necessary.
5. Retreaters — who disappear for a while, don't join in anything much and become a bit reclusive.

Making a graceful transition

No matter which type you identify with, keep in mind that this next phase of life doesn't have to be a sudden change. The best transitions are smooth and seamless. And, to be successful, you must plan your next steps.

Many choices are available when transitioning from your full-time job. While Continuers will look more into how to phase out somewhat from their current employer, Adventurers will look at trying something new. Searchers will look at all the possibilities and choose one to start. Gliders may be those lucky ones who don't need to make any quick decisions because they have plenty of retirement savings. Retreaters may be those who want to stop working, downsize and try to live on less with the savings they have.


Let's consider the many ways in which you can make the transition from being a full-time employee:

- Become a consultant either for your former employer or with other companies in your field.
- Work on special projects only for your organization.
- Develop your job to suit you perfectly, so you never want to leave.
- Look into whether your employer offers a retirement phase-out program, which is becoming more popular as the mass quantity of Baby Boomers going into retirement will be creating some major gaps in skills and experience.
- Give the parts of your job that you don't like to someone else and just work part-time doing the bits you love to do.
- Consider job sharing, in which two people work the same job but on flexible schedules.
- Think about using technology and telecommuting, communicating with your employer from your home with your own computer and office equipment (sometimes the company may pay for this if this will be an ongoing situation).
- See if your company has work in other, more desirable locations.
- Retire from your job but go to work for a related business on your terms.
- Look into education programs that will qualify you to make a career change to follow your passion.
- Start your own business, something that meets your interests and skills.
- Retire early, sell your house and go live somewhere that you have always wanted to live.
- Take a sabbatical to renew yourself by traveling or learning before returning to work in your field of interest.

Activities throughout www.DesignYourRetirementLifestyle.com

During the next seven weeks, we will be working towards creating a "big picture" of your retirement, bringing all the parts together. During this time, you will be considering the aspects of yourself that can contribute to a wonderful retirement, but more importantly that need to be expressed so that you can feel a sense of fulfillment and purpose as you move into the next great stage of your life. At times you will be working alone then together, other times working as a scribe for one another's thoughts.

Activity 1: Financial Planning

This activity will involve taking a long hard, realistic view of your finances. As I have said before, this is not a financial planning program. There are many experts who are far more able to assist you in that, and I recommend you meet with a financial advisor to get a really clear financial picture, especially if you have or will have an investment portfolio. 

This activity will provide useful information when you are making decisions about your future during this mentoring program. Many of us put off this type of analysis because it simply becomes too complex. Indeed, you're trying to put numbers on things that will happen in the future. How will the economy

change? How much will inflation add to my expenses? How high will health costs be and (in the U.S.) will Medicare still help with that? How long might I actually live?

In an article about retirement income, Tracy Piercy, a Certified Financial Planner, said it's time we changed our perspective on retirement planning. Instead of a mysterious round number of what you will need upon retirement and how much money you will need to save each month to get there, consider the income you want and need to live during this new life phase. What do you really want to do and how much will it cost per month/year? Consider income from any business or employment, assured inheritances and benefits, and look into your expected spending. You can also make some predictions on things like inflation based upon past history. For example, from 1946 to 2007, the average annual inflation rate in the U.S. was 3.95% and in the U.K., 5.72%. The Internet has sites that can determine these increases for your country. Use those figures in your calculations.

We know the future brings economic and social changes we can't anticipate, so we will just have to base some of our planning on history, current knowledge and common sense. Keep in mind, that these numbers must be flexible, so you can easily make changes to your plans as the world keeps revolving.

Following are some financial planning considerations. Work with your partner to write the answers down in your notebook to use later.

- What will change by the time I retire?
- Will I have dependent children or parents when I retire?
- Will I be paying for any college tuition for my dependents or myself?
- What is the current amount of my savings? How can I add to that before retirement?
- What type of investments do I have and what is the expected annual return?
- What is the current amount I spend on food?
- What is the current amount of money I spend on utility bills each month?
- What is the current amount I spend on health costs each month/year?
- What is the current amount I spend on insurance?
- What is the amount of other regular expenses that will continue when I retire (e.g., house payments, car payments, entertainment)?
- What is the current amount of debt I have? How can I eliminate that before retirement?
- What is the amount of my home equity? Will I want to sell my home? Downsize? Relocate?
- What are some of the major expense items I want to consider when I retire (travel, retirement community, further education, etc.)?