

# *The New Retirement: Helping Your Clients Build Their Own Vision*

## **Defining Generic Key Terms and Concepts**

Much of the material you have examined to this point in your journey towards the PROFESSIONAL designation, comes together in this module. It is the opportunity for you to use what you know to direct clients to the right sources or to draw on experts in various life areas.

The concept of retirement is being redefined by an aging baby boomer population who are now on the verge of a major life change. In the past, when retirement was a distant destination, it was easy for this generation to take an idealized view of the future. As the future becomes the present, fantasy is giving way to reality.

North American society has viewed retirement in much the same way for the past seventy-five years. Retirement comes at the end of work and is a reward for many hard years in the workplace. This view of retirement also dictates that:

- You retire because and when you are old
- You retire because you can no longer contribute to the workplace
- You retire because you are taking a younger person's job
- You retire to take your reward of happy leisure in your golden years.

This is the vision of retirement today. Unfortunately, many pre-retirees have thought more about what they are retiring FROM rather than what they are retiring TO.

As a result, retirement planning has tended to be a financial planning exercise. The Financial Services Industry has contributed to this approach by focusing North Americans on retirement products that will help them achieve their “happy” retirement.

Few retirement planners focus pre-retirees on the reality of retirement lifestyle. The philosophy for many is, “I will show you how to create a retirement nest egg that will be sufficient for you to walk away from work early. It is up to you to figure out what to do with it!”

As a PROFESSIONAL, you are in a position to help North Americans develop a realistic view of this next phase of life.

Retirement is as much a psychological adjustment as it is a financial or workplace issue for aging boomers. There are some things to remember about retirement planning that must be understood if the pre-retiree is to build a meaningful plan.

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First, the concept of retirement must be redefined. It is quite likely that the word retirement as we know it today will likely disappear within this generation.

That doesn't mean that some North Americans will not retire in the traditional sense. However, there will be many who will not leave the workplace or who do not seek a life of prolonged leisure.

Therefore, retirement planning is a combination of educating clients on the important issues as well as helping them clarify their own vision of this next phase of life. The PROFESSIONAL can play a key role in this process.

There are a number of keys to success in this phase of life that the pre-retiree should understand. There will likely be many life changes that the retiree will encounter and the planning process must both account and consider the potential for change as well as to be as flexible as possible to respond to change.

#### Key Concepts

- Retirement planning is as much 'stress management' as it is lifestyle planning. It recognizes that this phase of life can be very stressful and that self-awareness is often the best way to manage stress in retirement. Clients must understand all of the issues and the PROFESSIONAL is in a position to help.
- The financial plan for retirement should follow the lifestyle plan for retirement. Clients should have a clear view of this next phase of life and how they wish to live it. That view should recognize that retirement is not one long life phase but a multi-phased journey. As a result, the financial plan should be developed to protect the client from the challenges that life transitions will bring.
- The PROFESSIONAL will be able to use knowledge gained in many different areas of senior education to provide the pre-retiree with context. This simply means that the PROFESSIONAL can help the client consider the important issues in the areas of health and wellness, workplace issues, leisure activities, relationship management and goal setting.
- No longer does retirement planning assume that the client is not going to work. The plan is based mainly on creating a strategy to help the client first to self-actualize and then to ease the adjustments that the client will have to make to those inevitable life changes. The concept of 'work' becomes a positive rather than a negative.

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#### Activities

***Redefining the term retirement.*** PROFESSIONAL's can help clients understand that retirement is a journey rather than an event. The PROFESSIONAL takes on the role of educator, mentor and sometimes a coach.

***Goal Setting is key.*** Most people are comfortable creating financial goals. A successful retirement comes from creating meaningful lifestyle goals and the strategies to achieve them. As part of the education process, the PROFESSIONAL can help the client understand how to set goals and how stay on track. That often puts the PROFESSIONAL in the role of a coach.

***This process is the foundation of a meaningful financial plan.*** Financial planning in retirement is a process of helping the client understand the role that money plays in achieving the client's ideal lifestyle. This will include showing the client how his or her resources can be used to protect lifestyle, help family, secure future plans or create a legacy. The concept of financial comfort replaces that of financial success as a planning goal.

#### The New Retirement

#### Creating a *relevant* discussion

#### What Do You Know About Retirement and Getting Older?

#### What are your views on retirement?

There are many views of the ideal retirement picture, and most of us have some pre-conceived notions about 'retirees'. Below are fifteen statements that have been made about retirement and represent some common perceptions of this phase of our life. Do you feel that they are **TRUE** or **FALSE**?

- \_\_\_\_\_ 1. "The key to a successful retirement is having enough money to enjoy your life."
- \_\_\_\_\_ 2. "Retirement comes at a time when you can no longer contribute to the workforce."
- \_\_\_\_\_ 3. "More than half of North American retirees report being lonely, depressed and/or sad".
- \_\_\_\_\_ 4. "There are very few employment opportunities for those people over sixty".
- \_\_\_\_\_ 5. "You should plan to live on 75% of your last year's income in your first year of retirement".

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- \_\_\_\_\_ 6. “The longer that you stay in the workplace, the higher your risk of dying earlier than expected.”
- \_\_\_\_\_ 7. “Retirement is the longest single phase of your life”.
- \_\_\_\_\_ 8. “One of the best ways to enjoy retirement is to find replacements for those things that you enjoyed about work”
- \_\_\_\_\_ 9. “Retirement is less stressful on marital relationships than when you are working full-time.”
- \_\_\_\_\_ 10. “Men experience a more difficult transition into retirement than women”
- \_\_\_\_\_ 11. “Over one-third of retired North Americans report not having enough money to live the life that they envisaged in retirement!”
- \_\_\_\_\_ 12. “If you don’t continue to exercise your mind, you risk falling victim to Alzheimer’s or a shortened life span.”
- \_\_\_\_\_ 13. “To have a comfortable retirement at age 55, you need over a million dollars in the bank.”
- \_\_\_\_\_ 14. “There is a direct relationship as we get older between high stress levels and declining physical health.”

#### Answers to TRUE or FALSE

1. **False.** The Retirement Lifestyle Center’s survey of Retirement workshop attendees who were already retired found that “Health” was ranked as the number one key to a successful Retirement. This doesn’t mean that having enough money isn’t important. Defining what is “enough” money means having a clear understanding of the life that you want to lead and then assessing how much that is going to cost you.
2. **False.** Many North Americans are forced into Retirement by their companies or economic circumstance long before they are ready to quit working.
3. **True.** Though not for the reasons that many may think. While there may be many reasons for retirees to be glum about their current circumstance, the fact is that half of all North American adults regardless of age report being lonely, sad and/or depressed.
4. **False.** Increasing numbers of companies are providing work for the over sixty cohort. One of the major issues in the workplace today is that companies are trying to retain older workers. There are many new opportunities for older workers to contribute their knowledge and experience.

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5. **False.** This number has been widely bandied about by financial advisors and the press as a rule of thumb. The fact is that some retirees may be able to retire on 75% of their last year's income if they already own their own homes, don't want to change their lifestyle or intend to stay at home more. So much depends on the overall assets that an individual possesses rather than just their income levels.
6. **False.** In fact, the longer you stay in the workplace, the greater your chances of living longer in the absence of other health factors according to a study conducted by the National Academy on an Aging Society in the U.S. 48% of workers over 65 reported that their health is "good to excellent" vs. 26% of non-workers in the same age category.
7. **False.** Retirement isn't a life phase at all. Gerontologists have identified several distinct phases that North American adults go through from age 55-90.
8. **True.** Work provides five basic needs and retirees from work will find more success if they are able to identify what they gained from the workplace and then find a way to replace it in Retirement.
9. **False.** In fact, Retirement can be more stressful on relationships due to factors such as a lack of structure that results in stress, differences in one partner's ability to accept Retirement over another, hormonal differences that occur as we age, changing family and work dynamics etc.
10. **True.** Men generally have a different relationship to the workplace than women. New studies are showing that men still tend to develop their identities through their work and suffer from withdrawal more than their female peers who hold the same job.
11. **True.** 38% of retirees surveyed by the CIBC in 1998 felt that they were going to come up short when it came to matching their savings with their desired lifestyle.
12. **True.** While mental inactivity is not the only cause of Alzheimer's it has now been shown to be one of the causes.
13. **False.** It depends on what kind of life you want and how you define "comfortable lifestyle". While having a million dollars in your Retirement plan will certainly alleviate some of your financial worry, many people believe that they have to have a large lump sum in order to have any security or comfort in Retirement. The fact is that there is no rule of thumb and the key is to assess what kind of lifestyle the resources that you have will purchase.
14. **True.** Stress-related diseases are the number one threat to healthy aging.

## *Appendix--How to talk to your clients about Retirement*

**Note: This material contributed by The Retirement Lifestyle Center**

### *Educating your client on retirement lifestyle planning issues*

One of the most obvious life transitions your clients will face is retirement. As the aging baby boomer begins to look at retirement in real terms rather than as a long-term financial planning exercise, the advisor will be called upon to provide relevant education, solutions and services.

For many advisors and their clients, retirement has been a financial issue. In fact, much of the growth of the financial services industry in North America has been fostered by the need of aging boomers to save for retirement. Retirement planning is almost interchangeable with investment planning; very little work has been done on educating clients on the non-financial aspects of this next phase of life.

That shouldn't be a surprise. After all, retirement lifestyle planning goes far beyond financial planning and calls on the advisor to have expertise in areas outside of his or her licensing.

*I recently received an invitation as part of a mail drop to attend a retirement lifestyle seminar, put on by a local investment advisor in the town where I live. Out of curiosity, I contacted the advisor to find out what the seminar would cover.*

*"We will cover all of the major areas", said the advisor. I am going to focus on income options in retirement, on how to invest in retirement and what you need to know about RRIF's. In addition, we will cover various asset allocation strategies that retirees can use. Finally, I am going to introduce a new retirement product that will make your life easier."*

*I asked whether the seminar would cover such things as fulfilling activities in retirement, or the affect that retirement has on relationships or maybe healthy aging?*

*The advisor replied that he is financial advisor and doesn't want to get into those issues. When I asked where the retirement lifestyle planning part came in, he said that it is up to the client to take the financial advice that is given and then work out the lifestyle issues on his own.*

Does the advisor have any place discussing retirement lifestyle planning issues? It depends on the expertise of the advisor and the relationship with the client. There are obviously some issues that need to be discussed and a lot of issues that need to be understood by both the advisor and the client.

A sound retirement financial plan can't really be designed unless the client has a clear view of what his or her retirement is going to look like. The problem is most clients are clear on what they are retiring FROM, but not so clear on what they are retiring TO.

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Retirement lifestyle planning is a great opportunity for the advisor to bring in experts from the community to talk about specific issues. Since there is a general lack of understanding on the part of clients regarding the lifestyle issues they should be aware of, you'll find a ready audience for the information.

PROFESSIONAL's who actively conduct retirement lifestyle planning seminars take their programs to their clients but also to employee groups, associations, unions, community colleges and corporations. They have a number of professionals who can help them provide information, for example

- Psychologists
- Fitness Instructors
- Career transition experts
- Personal coaches
- Doctors
- Travel agents

If you have a growing number of clients who are on the verge of retirement, here's a general overview of the issues. In our section on seminars, we will also provide you with even more information on Retirement lifestyle seminars.

#### ***Why retirement should be redefined***

According to the American Association of Retired Persons (AARP), 85% of today's baby boomers expect to work when they retire from their present jobs. That means that just 15% of American boomers are looking at traditional retirement, with no work and twenty-five or thirty years of prolonged leisure.

There is a likelihood that the word retirement as we know it today will likely *not exist* within one generation or twenty-five years. Yet, many clients still believe that they should aspire to the North American retirement dream whether they actually want to or not.

One of the important roles for the advisor is to help clients clarify what they would like their retirement to look like. There are a lot of assumptions made on both sides about what *the client has planned* and what the advisor *is helping the client plan for*.

Once the client and advisor have a clear picture, they may come to the conclusion that

- The client may not actually want to retire, at least not now
- The client may be looking at starting his or her own business
- The client may want some form of graduated retirement
- The client may want to switch careers and do something in keeping with their skills and interests
- The client may want to try traditional retirement for a while and then make a decision on whether this will be permanent



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All of these are options in today's retirement. The advisor should find ways to create "fertile ground" in the client's mind so that the client can work through their personal picture of retirement.

### ***Some questions to ask your client about retirement***

In your conversation with your client about retirement, there are some questions you should ask that will help the client clarify their retirement vision. Here's a worksheet you can use as the foundation of your discussion. You are better off using this sheet as a guide rather than just giving it to a client to fill out. Let them talk and you use it to make notes for the file!



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#### *The LifeFirst Retirement Questionnaire*

Think of someone you know who has retired. They could be family, friends, acquaintances, co-workers etc. Think of how they handled their retirement. Do you think that they were generally happy or generally discontented?

What do you think made their retirement successful?

What could have improved in their retirement life?

What personal characteristics added to their retirement success?

What personal characteristics detracted from their success in retirement?

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Here are some questions that pertain to your ideas, plans and current beliefs about retirement. Your answers will help you understand your current feelings so you can plan more effectively for your future.

1. I now plan to retire in either \_\_\_\_\_, or in \_\_\_\_\_.

2. At this time, the idea of retirement makes me feel:

1	2	3	4	5	6	7	8	9	10
Depressed			Neither Good or Bad				Fantastic		

3. As of this moment in my life, my retirement planning program could be described as:

\_\_\_\_\_ Completed

\_\_\_\_\_ A good beginning

\_\_\_\_\_ Just being formulated

\_\_\_\_\_ None

4. How many people still depend upon you for emotional or financial support? \_\_\_\_\_

5. What are your greatest fears about retirement?

	Not being able to afford my lifestyle
	Health challenges for myself or my spouse
	Not knowing what to do
	Family problems
	Lack of mobility
	Someone has to take care of me
	Leaving work
	Getting bored with the lifestyle
	Getting old
	Encountering a financial catastrophe
	Losing my friends
	Isolated from my family
	Having to leave my home
	Losing my desire to have fun

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6. What are you looking forward to in retirement?

Being able to do what I want
Not having to work
Spending time on my hobbies
Pursuing some or all of my lifelong goals
Working on my health
Volunteering in my community
Expanding my mind
Starting my own business
Working part-time
More time for family
Making my own decisions
Moving to my ideal retirement home
Strengthening my relationships with my family and friends
Being able to rest

7. When I shift into my “retirement”, I think my perfect work life would include

Deciding not to quit yet and delaying my retirement
Working part-time at my present job
Winding my job down slowly and not working so hard
Starting my own business
Starting a brand new career
Using my time to volunteer somewhere
Not work at all

8. I have three friends with whom I feel comfortable sharing my concerns, fears and hopes about retirement. They are:

9. “I would like my retirement to be a time in my life when....”

If you use the nine key areas of your client’s retirement plan, you can provide some interesting education that will help them.

