

Saturday, March 5, 2011

Retirement's so yesterday

Michael Nairne, *Serious Money*



Spencer Platt, Getty Images

In a recent survey, 60% of the respondents indicated that, regardless of their age, they would always be involved in some form of commercial or professional work.

Many affluent people are tossing the conventional notion of retirement into the dustbin. Instead of dreaming of decades of leisure, the majority of the respondents in a recent global survey of wealthy individuals by Barclays Wealth want to keep on working. They envision themselves as Nevertirees rather than retirees.

Overall, 60% of the respondents indicated that, regardless of their age, they would always be involved in some form of commercial or professional work. Interestingly, this predisposition to work didn't relate to wealth. Whether respondents were worth several million dollars or more than \$15-million, they were almost equally likely to see themselves as Nevertirees. Similarly, the desire to continue to be involved in work wasn't limited to those who built their wealth through entrepreneurship. Corporate executives, inheritors and wealthy investors all displayed a strong desire to keep working.

Interestingly, there is a clear cultural context to the concept of retirement. Among emerging market countries, only a small portion of respondents envisaged themselves stopping work completely. In developed countries where the concept of retirement is often deeply embedded, a vision of never fully retiring varied by country. For example, while the majority of respondents from the U.S. saw themselves as working indefinitely, just over a third of those from Switzerland did.

Younger people in particular saw themselves staying involved in some form of work. This finding jibes with that of a recent survey by Merrill Lynch in the United States, which found that the majority of Baby Boomers plan to keep on working. For Boomers, 60 is the new 40.

Continuing to work, however, isn't about plodding away at the same old job. As novelist Ellen Glasgow quipped, "The only difference between a rut and a grave are the dimensions." Many respondents to the Merrill Lynch survey saw themselves as working only part-time while Barclay's global study found that 40% of wealthy individuals who have retired have opted to work part-time. This is consistent with other studies of retirement which found that individuals want to remain active and engaged yet desire more freedom as well as more time for their family and avocations.

The new vision of retirement also encompasses entrepreneurship. Nearly one-quarter of the men and 14% of the women canvassed in the Merrill Lynch survey plan to start or continue growing their own businesses.

In my experience, wealthy Canadians are no different from their global or American counterparts. Many of our older clients have decided to continue to work out of preference as opposed to need. They find that work provides not only meaning and a sense of identity but imparts a comforting structure to their lives. Yet, in the pursuit of control, novelty and diversity, a goodly number have embarked upon second careers as corporate directors, angel investors, consultants, and principals in new start-ups.

Being a Nevertiree has clear benefits. There is growing evidence that people who stay employed longer at jobs that they enjoy live longer and happier lives. Moreover, continuing to work has financial advantages. First, it diversifies the sources of household cash flow. Employment income, even from part-time work, looked pretty good during the depths of the 2009 crash.

Second, it reduces longevity risk - the risk of outliving one's capital. Working longer diminishes the reliance on investments alone to fund decades of lifestyle expenditures. In particular, reducing the funding demands on a portfolio in the early years of withdrawals decreases the likelihood of a prolonged sequence of lacklustre or negative returns in those years accelerating the depletion of capital.

So the next time someone asks when you are going to retire, feel free to say "never." You will be in good company.

-Michael Nairne, CFP, RFP, CFA, is the president of Tacita Capital Inc., a private family office and investment counselling firm in Toronto.