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## The odyssey of retirement planning

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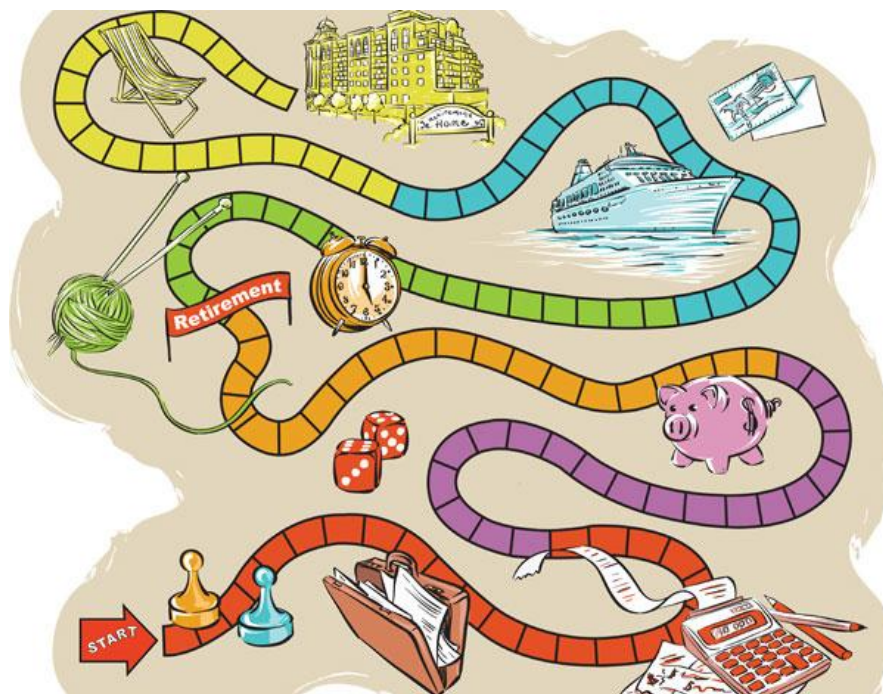


Illustration by Chloe Cushman for National Post

Retirement isn't an end game but a journey with six separate stages along the way.

Retirement! For many, the very word conjures up images of freedom — an escape from the demands and drudgery of work; a chance to travel and pursue much neglected avocations; and the time to really enjoy the company of family and friends.

Retirement is supposed to be an exciting new stage of adventure and self-determination. Unfortunately, the reality is both different and much more complex.

In two groundbreaking studies, Ameriprise Financial, a major U.S. financial planning firm, found that retirement is not an end state but more of a series of separate and foreseeable stages through which people move. Understanding and planning for the challenges posed by this odyssey can improve the odds of having a successful journey. Here are the six stages:

### **Imagination**

This stage occurs anywhere 6 to 15 years before the planned date of retirement. People begin to envision being retired even while they are busy with other priorities such as launching their children and paying down their mortgages.

Generally speaking, their outlook is optimistic and enthusiastic, even adventurous, as a picture of retirement begins to form in their minds.

### **Hesitation**

In Ameriprise's original study in 2005, this stage didn't exist. However, their 2010 study found that a new stage of worry and hesitation emerges 3 to 5 years before retirement, a consequence of the market meltdown during the global credit crisis.

With retirement approaching, people begin to worry about their preparedness and many begin more detailed planning, often with a financial advisor. The question "will we have enough" becomes paramount.

### **Anticipation**

Starting 2 years before retirement, anticipation begins to build. Having worked through the financial aspects of retirement, many feel they are ready even as they put some final savings away. People are most optimistic and hopeful at this stage as independence is right around the corner.

### **Realization**

Immediately after retiring, most people feel liberated. With the work grind behind them, they can now focus on long-anticipated activities. However, during this first year after retirement, the realization sinks in that, in forsaking employment, they have given up not only a paycheck but the daily structure and social interaction work involves. Many find that they aren't as happy as they had envisioned; some feel let down.

### **Reorientation**

During this phase, which occurs 2 to 15 years after retirement, individuals adapt to their new reality. How fast people adjust depends on a number of factors. In general, thoughtful planning and preparation for retirement makes for a much happier reorientation phase. For example, individuals who made specific plans to pursue meaningful hobbies tend to be happier than those who did not. For others, working part-

time increases their happiness; others enjoy volunteering, traveling and spending more time with family. Overall, new routines and goals emerge at this stage and ultimately, more people are happier than in the previous stage. As a group, they particularly enjoy having control over their time.

### **Reconciliation**

In this final phase starting 16 years after retirement, most people have accepted what retirement has brought them. However, many find that health issues have escalated and many are planning a move to a new home as physical issues mount. Although times of sadness become more prevalent as friends slip away, the vast majority of retirees in this stage are happy.

The dream of a liberating retirement is a classic example of what psychologists call “impact bias” – the tendency to overestimate the emotional impact of a future event. For hyper-busy and stressed professionals and executives, it is easy to overestimate the value of finally “kicking back and doing nothing.” In fact, a number of retirement studies show an inverse relationship between career status and retirement satisfaction – the more you thrive on work the less you might enjoy retirement.

Instead of focusing on the dream, individuals should take time to develop a detailed plan that encompasses both the financial elements of retirement as well as specific goals and activities that will fully engage them in daily living. Otherwise, they are likely to find that having enough money isn't the only prerequisite for a satisfying retirement.

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