The Psychological Impact of Retirement
Introduction

If you picture a carefree retiree walking on a beach or enjoying recreational activities after a long career, in good health, you might think life can't get much better. The scene is a universal goal – the culmination of a lifetime of hard work and smart choices.

Yet carefree and confident seniors represent an ideal of retirement far from what they anticipate will be true. Instead of golden beaches and optimism, the reality is that many people have mixed emotions and anxiety about retirement. Others are less confident and more financially vulnerable than these idealized images suggest.

The traditional pension plan that supported many individuals in retirement has, for most Americans, disappeared. Further, structural factors in the economy related to population growth and productivity have resulted in what many believe will be a prolonged period of very low interest rates – making income generation on a fixed retirement portfolio extremely difficult.

Advisors must recognize and understand the complex emotions and anxiety often felt by individuals approaching retirement. In order to provide effective and differentiated service, they need to engage in aligned and purposeful conversation. The complicated feelings of the transition from pre-retirement to actual retirement are real and represent more than just financial uncertainties.

In some cases, from a psychological perspective, retirement may involve losing one’s sense of purpose or self-worth. What happens when the regular paychecks stop, time is in abundance and a new phase of life begins? For individuals who have worked their whole lives, their sense of self or value may be tied to their jobs or their businesses. Likewise, their interpersonal relationships or social networks may be depleted and no longer include much contact with the colleagues and customers they worked with. For others, retirement is a stark reminder of mortality: the closing of a milestone chapter of life.

These frets, worries and concerns can have a serious negative effect: Decision paralysis. When wrestling with anxiety or intense feelings about big issues like retirement, people often retreat from decisions. The default action becomes inaction, thereby exacerbating problems even further.

For financial advisors, this means it’s time to identify and better understand some of the vital (and easily overlooked) financial and psychological impacts of retirement. In doing so, they can help their clients through this phase, cope with complex feelings, make adaptations and realize what they are going through is normal. With an understanding of these realities, advisors can be prepared to share insights, guidance and wisdom, drive toward the goal of taking appropriate actions and easing their clients’ fears. Detection and empathy means more holistic relationship-building and ultimately, guidance toward a more secure future.
Where Do Consumers’ Feelings about Retirement Come From?

Popular culture often portrays retirement as the highly anticipated capstone event of people’s lives—a time after a long career where they finally have the freedom to pursue hobbies, spend time with family or travel. But all too often, as the reality of the event draws near, a mix of personal and financial factors cause some to have a foreboding feeling about retirement.

Financial Reality

Data shows many individuals feel financially uncertain about their retirements. The 2017 Employee Benefit Research Institute: Retirement Confidence Survey uncovered some definite anxiety:

- 34%, or one in 3 workers, is not confident in their ability to cover basic expenses in retirement.¹
- 44% are not at all confident they are doing a good job preparing for retirement
- Only 4 in 10 have figured out how much they think they will need to retire
- Only 1 in 10 have a formal financial plan.²

Dr. Michael Collins, Director of the University of Wisconsin-Madison Center for Financial Security, suggests that half the population is financially vulnerable. What this means is that many are unprepared for an unexpected setback such as a health crisis or loss of a job. Likewise, the American Payroll Association found that more than 60% of survey respondents indicated it would be very difficult or somewhat difficult to meet current financial obligations if their next paycheck was delayed by one week.³

A recent Employee Benefit Research Institute (EBRI) study found that 27% of people with income under $35,000 a year have nothing saved for retirement, as two-thirds of workers without a retirement plan have less than $1,000 saved.⁴

Collins believes one of the biggest issues for these consumers is what he calls “leakage” from retirement savings, referring to cases when individuals borrow (or even withdraw money completely) from retirement savings to cover living expenses. “Many use their retirement account as utility savings,” Collins notes.

Being unprepared or not saving enough may fuel fear about the future, but these feelings of anxiety aren’t exclusive to those with lower incomes. Collins points out that financial confidence isn’t always correlated with income. Some earning $30,000 may feel confident while others earning $200,000 may not. He believes confidence is heavily impacted by whether an individual has a financial plan.

In many ways, regardless of income, consumers have many reasons to feel ill-prepared for retirement. For some, it may even include the realization that their retirement will not mean an end to working.

According to CUNA Mutual Group’s Managing Principal of Investment Consulting, Scott Knapp, “More people continue paid work after retirement because they have no choice. They have to work due to insufficient savings.”

Knapp also points to changes to the way we fund retirement as having a significant impact on the insecurity many Americans feel about it. With the passage of the Employee Retirement Income and Security Act of 1974 (ERISA) and the widespread adoption of 401(k) and 403(b) retirement plans, there has been a massive shift from defined benefit pension plans (traditional pensions) to defined contribution retirement plans. Indeed, the traditional pension is rare.

“Today, the risk and responsibility is borne by the individual,” said Knapp. “This used to be borne by the employer.”

Throughout this shift toward individual responsibility for retirement, employers and the financial industry have invested heavily in financial education. This education, however, according to Knapp, has been mostly ineffective.

“The industry throws complex concepts and ideas at people who have day jobs and lives to lead, and just lets them go,” Knapp says. “It’s way too much information and leads to paralysis. So while the industry has invested countless hours in education, there has been no measurable outcome. Planning for retirement can be relatively simple, yet the industry shrouds it in nuance and complexity.” As a result, many people put off investing decisions because they’re too complicated or unnerving.

Knapp says retirement savings plans that include auto-enrollment through an employer, auto-escalation practices that allow contributions to keep pace with salary increases and qualified default investments for those unable or unwilling to choose investment instruments have proven to be key to starting — and building — workable retirement savings balances.

Retirement Anxiety is About More Than Money

The unknowns of retirement extend beyond income and monthly expenses. What about something unexpected? Or even a planned expenditure like a vehicle purchase, a new home or extended travel? Will clients have health insurance after retirement? And how much of the deductibles and copays will they be responsible for? Will they be prepared for a health crisis or other emergency? What family dynamics are in play?

After working through a career of 30 or 40 years, many people facing retirement wonder how they will define themselves. They wonder what they will do with their time. They wonder how it might affect their relationships. Some even fear their own mortality, as retirement is viewed as the “final phase” of one’s life.
Defining Retirement Transitions

Retirement is, at its most basic level, a major life change. As such, this means the potential for major upheavals and transitions in emotions, lifestyles and finances.

Financial Transitions

An obvious immediate change at retirement is the transition from accumulating to drawing down savings, and it can be unnerving. For most people, having a steady paycheck and regularly saving feels very different from living off a nest egg and tapping retirement savings to cover day-to-day expenses.

Advisors can help clients take the first step of revising their investment strategies to reflect this transition. For past generations, this has meant transitioning investments into less risky, income-generating holdings like bonds or CDs. But today, structural changes to the economic environment need to be considered, including today’s historically low interest rates.

(See Are Low Interest Rates Here to Stay?)

Out of the necessity for better returns and longer-lasting money, staying in the market is now a commonplace strategy. That doesn’t mean the extreme swings of a high-risk portfolio, but with out any guarantees, even conservative strategies bring a new level of client concern and stress.

It wasn’t always this way. CUNA Mutual Group Chief Economist Steven Rick refers to the stock market in the 1980s and 1990s as the “Great Moderation,” a time when markets seemed to move steadily up. But after 2008-09, many investors were jaded by the rapid market downturn and the experience of significant losses. Nearly ten years later, those feelings still linger.

Now, with the responsibility of managing retirement accounts falling squarely on retirees’ shoulders, many less-sophisticated investors are searching for information online. Said Rick, “Retirees read a lot of misinformation in the media that undermines their confidence in traditional investments. This can really ramp up fear and uncertainty.”

ARE LOW INTEREST RATES HERE TO STAY?

After reaching a peak in 1982, interest rates have been on a steady decline. CUNA Mutual Group Chief Economist Steven Rick suggests that structural changes to the economy (which have implications for corporate earnings and interest rates) may mean rates will stay lower for much longer than expected.

Rick points to what he calls secular stagnation. The average economic growth rate has slowed from 3 to 4% from 1970 to 1990 to 2% in the 2000’s. Several factors, including lower worker productivity and population growth, contribute to this decline.

While technology initially led to big productivity gains, today’s economy isn’t seeing the same leaps forward in individual worker productivity. In addition, the Baby Boomers are beginning to exit the workforce more quickly than others are entering. So with lower productivity per worker and the number of workers growing at a slower rate, the economy cannot grow as quickly.

These structural changes in the global economy set the stage for lower-than-historical-average returns on financial instruments. Low interest rates are likely here for a while.
New Retirement Risks

Many retirees face the harsh reality of simply not having saved enough. While numerous articles have been written on the “redefinition of retirement” which includes continuing to work by choice, more and more are finding it a necessity to extend work beyond retirement age.

A contributing factor here is that many individuals approaching retirement have been part of the so-called “sandwich generation.” This segment has simultaneously cared for aging parents while still taking care of their own families. The outcome meant spending less time and having fewer resources to put toward their own retirement preparation.

In other cases, those entering retirement are confronted with real risks to their nest eggs and the retirement income they need to rely upon. (See 10 Risks to Retirement Income)

Another factor is longevity. While we all look to live for as long as we can in good health, longevity poses a significant financial risk for many. According to the American Society of Actuaries, the average life expectancy of today’s 65-year-olds is 85.8 years for men and 87.8 for women. As those numbers continue to grow, so do the risks of running out of money and needing costly long-term care.

### 10 RISKS TO RETIREMENT INCOME

1. **Market Risks.** The markets can be volatile; relying on them for retirement income is risky.
2. **Interest Rate Risk.** Locking in low rates on retirement savings prohibits growth; bond values at risk if rates rise.
3. **Sequence of Returns Risk.** A few years of bad returns early in retirement can have a significant negative impact.
4. **Withdrawal Rate Risk.** Taking regular withdrawals at too high of an amount can be unsustainable.
5. **Allocation Risk.** Seeking safety by avoiding more aggressive investments can lead to missing potential growth opportunities.
6. **Inflation Risk.** Inflation reduces the purchasing power of savings.
7. **Longevity Risk.** The risk of outliving one’s assets.
8. **Health Care Risk.** Living longer may mean more medical bills or long-term care expense.
9. **Taxation Risk.** Withdrawing funds can have tax implications, so strategies need to be employed to make the most of tax advantages and avoid penalties.
10. **Legacy Risk.** Making sure intentions are met by understanding the rules of inheritance.

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1. [https://filene.org/research/report/relieve-the-squeeze-the-sandwich-generation/]
Additionally, due to no fault of their own, some retirees may also simply retire at the wrong time in terms of market performance. Markets tend to fluctuate, and those who retire just as the market goes into a downturn can find their losses magnified (See Bad Timing Risk: 3 Common Situations). In other cases, bad timing may also involve a spike in inflation during the early years of retirement, as this scenario reduces the purchasing power of those on a fixed income. Unforeseen expenses can also impact retirement success. The expense many retirees worry about most is health care. While inflation across the broader economy is low, medical costs are one area where inflation is substantially higher.

Medical costs have a stronger impact on older Americans and retirees simply because they require increased access. For example, it is estimated that the average retiree will face $395,000 in out-of-pocket medical expenses throughout retirement. This is over and above medical expenses that are covered by insurance. This issue is complex: Medicare doesn’t kick in until age 65, the premiums and co-pays on Medicare can be considerable, and some treatments and supportive care options may not be covered.

For some, taxes can represent another intangible risk because they’re hard to predict and tax policies regularly change. For example, government deficits can lead some retirees to increase spending now because they anticipate future taxes (or tax policy changes) will be likely.

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**BAD TIMING RISK: 3 COMMON SITUATIONS**

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Hypothetical illustration based on $500,00 initial portfolio balance with annual 7% withdrawals increasing 3% annually. Investment return and principal value will fluctuate with market conditions so that, upon redemption, the investment, including the principal value, may be more or less than originally invested. Illustration does not account for any fees, charges, or taxes. SOURCE: CUNA MUTUAL.
Behavioral Factors Can Have a Negative Impact

The emerging science of behavioral economics has identified many factors underlying the uncertainties and challenges individuals face in planning for retirement. While having a financial plan is a positive contributing factor to success, the shape that plan takes is important as to whether it gets followed. Advisors can play a key role in countering behaviors that can undermine success.

According to Collins, people who have a plan handed down to them are much less likely to be successful than those who “own it” and work closely with an advisor/coach in actively creating it. That's why advisors' work with consumers and the hands-on/hands-off approach they take is of great importance.

Collins believes that individuals are far more effective with “coaches” who ask them questions to help them define what they want. Conversely, someone telling them what to do, pointing out their mistakes, or suggesting that they should have saved more or how behind they might be isn't particularly helpful.

“Many people get scared off by what they did wrong, or they get the feeling that they are somehow broken,” Collins explains. Instead, he suggests, “It is much more productive to assume individuals are creative, resourceful and whole.”

This coaching approach, according to Collins, allows individuals to feel like they have the autonomy to manage retirement independently. They also feel resilient in that they have the wherewithal to weather whatever ups and downs come their way. Lastly, they feel like they have choices which allow them freedom to follow their own path – not one limited by financial restrictions.

“I sometimes liken a financial advisor to a general practitioner physician,” Collins explains. “They help assess needs and refer out very specific questions or needs to experts in legal matters, credit counseling, lending...things that an advisor is not necessarily best equipped for. But they help guide, plan and coach.”

For advisors, what does it mean to be a coach? “The coach asks the questions to help the consumer define their needs and goals,” says Collins. “The consumer ends up generating the rules that make up the plan. In turn, the advisor then suggests the tools that meet those rules.”

Those transitioning to retirement can also face a change in their risk-bearing capacity and struggle to make decisions. According to Knapp, when individuals no longer receive a steady paycheck, some become too risk-averse. “This can be crippling,” Knapp believes, echoing Steve Rick's concern about financial news sources. “These same individuals are also alarmed by reading too much unfiltered information in the media which can lead to emotional or reactive moves.”
Emotional and Lifestyle Transitions

Transitions to retirement can be difficult on many levels and can reflect a complex web of emotions. A failure or lack of desire to plan for what comes after retirement is not uncommon. For many, personal identity or sense of self-worth was tied to work, and there can be a need to create a new identity. And after years of anticipating retirement, once it happens, individuals may need something else to look forward to.

Relationships that were important throughout a career may be hard to maintain when coworkers no longer see each other on a consistent basis. Coworkers get to know each other well and look forward to hearing about what is going on in each other’s lives. On the flip side, relationships at home may change as spouses identify new roles or one may enter retirement while the other continues to work.

In fact, studies have found that the mere act of stopping work can have deleterious health effects. A study from the Bureau of Labor Statistics found that over a period of six years, complete retirement leads to a 5%–16% percent increase in difficulties associated with mobility and daily activities, a 5%–6% increase in illness, and a 6%–9% decline in mental health. The study found these effects were due to “lifestyle changes including declines in physical activity and social interactions.”

A bigger issue looms for some as fear of their own mortality may set in. According to a 2016 study from The Journal of Consumer Psychology, fear of death “tempts us to avoid making necessary choices about how to manage our savings during retirement” and impacts many financial decisions including creating a will, buying life insurance for final expenses and estate planning.¹ Fear of failing health and the insecurities that revolve around rising health care costs creates significant anxiety for many.

An immediate issue is defining one’s new retirement lifestyle. Determining what that lifestyle is can be impacted by many things – assets, income/expenses, general health and fitness, changing spousal relationships, family relationships, locations and other factors. Regardless, today’s retirees no longer view the transition to retirement as simply “quitting work.” Instead, it’s stepping into a new phase, redefining oneself, and determining what to do with newfound time.

Improving Satisfaction in Retirement – Taking Steps to Achieve Financial Security

Individuals can spend as much as one third of their lives in retirement⁹, and advisors play an important role in helping clients define these non-income acquiring years. Helping them achieve a positive sense of autonomy, flexibility and freedom is important. At the same time, addressing their fears of financial loss or concerns about healthcare is an important role as well.

Step 1: Help clients create or refine a financial plan, and specifically a budget.

One of the best indicators of success is the presence of a financial plan. It outlines a sound spending plan that accurately covers the expenses an individual will face and identifies the income sources that will cover basic expenses. It also anticipates healthcare expenses, factors in health insurance, and identifies an emergency reserve to make sure a health event or another unexpected challenge doesn’t put savings at risk.

Step 2: Help clients ensure bad timing doesn’t undermine their retirement plans.

An effective plan assumes (or even anticipates) that market events like the stock market downturn in 2008 will happen. It is not a question of if — but rather, when — markets will have a downturn, and the best plans can address that.

The timing of a market downturn is a significant factor. Many individuals who retired in 2008 or 2009 and began withdrawing money experienced firsthand a sequence-of-returns reality. To protect against this risk, advisors should help individuals create an emergency reserve in order to avoid selling investments at a steep loss during a downturn. They can also avoid unnecessary anxiety through increased accessibility and/or purposeful outreach and communication throughout this volatile period.

⁹ DEVELOPMENT THROUGH LIFE: A PSYCHOSOCIAL APPROACH – CHAPTER 13, HTTPS://BOOKS.GOOGLE.COM/BOOKS?ID=FQWZGLVU_1EC&PG=PA525&LPG=PA525&DQ=SPEND+ONE+THIRD+OF+ADULT+LIFE+IN+RETIREMENT&SOURCE=BL&OTS=IYRNRHIVQH&SIG=1CPBYIR5EEX6QG4JY0IALFOGGSS&HL=EN&SA=X&VED=0AHUKEWJ0K8YM6CFVAHVD5OMKHZQNCFIQ6AEITJAH#V=SNIPPET&Q=ONE-THIRD&F=FALSE
**Step 3: Build a portfolio with appropriate downside protection**

A key role advisors play is helping clients create diversified portfolios that can generate steady returns over time. Traditionally, retirees invested their nest eggs in balanced portfolios with a mix of stocks and bonds. But now, with interest rates at historic lows, advisors have had to encourage clients to take on additional risk to generate meaningful returns.

Managing this increased risk is important to creating financial security in retirement. For stock investors, too much risk brings stress and anxiety. For bond investors, rising interest rates can also create risks. An advisor can help manage these risks and help clients build a balanced and diversified portfolio of stocks and bonds to generate sufficient returns without undue risk.

Even so, these investments aren’t guaranteed, and one need look no further than 2008–09 to recognize that many retirees could face big losses during a significant market downturn. But are investors worried? According to Rick, “Individuals are less fearful of specific risks but rather fear the unknown.”

To help guard against the risk of market losses, advisors can help clients purchase investment products with insurance features that can provide downside protection (See Managing Risk – Can Investors Achieve Downside Protection?). These strategies are worth considering for those clients who can’t handle significant losses, from either an emotional or financial perspective.

**Step 4: Identify sources of guaranteed income**

A financial plan should also identify sources of income that can support an individual over the course of retirement. Once there is an accurate estimate of expenses, the next step is to identify the sources of income to cover them.

- Social Security will provide a monthly check that covers some expenses, but not all.

- Retirement savings such as 401(k)s, IRAs, or savings and investment accounts can be drawn upon, but account values typically fluctuate with market conditions and there are no guarantees of not outliving the money.

**Managing Risk – Can Investors Achieve Downside Protection?**

Investment risk takes many forms, but for many it boils down to the risk of losing money. After years of building a nest egg for retirement, many retirees worry most about loss of principal – they don’t want to see their savings go down in value.

But avoiding risk completely often means putting money in extremely conservative investments or guaranteed savings vehicles that offer tiny returns. Retirement investors are often forced to confront the question of how much risk they are willing to take to generate higher returns. Stated differently, “How much are you willing to lose?”

A first step is to assess risk tolerance and create a balanced and diversified portfolio. From there, some may also consider investment products that allow some upside participation in the stock market while offering more limited downside or even a guaranteed “floor” below which an investment will not fall.

Advisors could consider and explain the distinct variations between fixed, indexed and variable annuities, partnering with clients to build a strategy that may keep their savings protected.
For many, carving out a portion of a portfolio that can be used to generate reliable income for basic expenses can go a long way to creating more certainty. An American College study found that people with higher levels of guaranteed income were more satisfied in retirement than those with less. Interestingly, the study also found that this was not necessarily correlated with the amount of assets or wealth. In other words, people with larger guaranteed income but fewer assets also saw higher satisfaction.

One way to create monthly pension-like income is incorporating products like fixed or variable annuities in order to create guaranteed monthly income that will last throughout the client’s retirement. (See *Annuitization to Achieve Guaranteed Income*.)

**Step 5: Plan for health care expenses**

Advisors should help retirees be prepared for one of the biggest expenditures they will likely face in retirement: health care. It is important to understand potential costs and funding by making sure appropriate insurance is in place. This coverage may be available from a former employer, through a MediGap policy or through an individual policy available on the federal health insurance exchanges. Setting aside money in a Health Savings Account, if available, can allow additional pre-tax savings for health care costs in retirement. In addition, consider long-term care insurance early in the planning process, as 70% of retirees will need some form of assisted care in retirement.10

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**ANNUITIZATION TO ACHIEVE GUARANTEED INCOME**

Even though fewer and fewer retirees are covered by defined-benefit pension plans, the almost-universal goal is income – and enough of it to cover daily living expenses.

As you work with clients in strategizing guaranteed income throughout retirement, you may need to provide an introductory-level explanation of annuitization, how it works, and the many products available today that simply didn’t exist even five years ago.

For clients, the message is clear: Even without a traditional pension, achieving guaranteed monthly income is still possible through annuitization. Explain how a part of their savings can be converted into a future lifetime income stream and that most products can be purchased with a lump sum or with periodic purchases over time.

Consider an illustrative example: “An individual may anticipate monthly expenses of $3,000 and is expecting to receive $1,400 a month in Social Security. An annuity can be purchased that will guarantee an income of $1,600 a month. Annuities come in many forms and bring many different features depending on an investor’s goals or situation. They range from simple to complex and are not created equal.”

For clients, this can bring a deeper feeling of security, as a guaranteed monthly income stream eases the most common fear in retirement: Outliving one’s money.

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Step 6: Anticipate spending and over-spending

Encouraging clients to think carefully about what they can afford to spend on a fixed income is a critical role advisors can play. But advisors can also help clients identify important events when families are called on to spend money. Helping clients set aside money for large expenditures — including family celebrations like weddings or significant anniversaries — is wise.

Others may find that they want to spend money on major travel, a retirement home, vehicles or other large purchases. An advisor can help clients plan for these expenditures and understand what they mean to their overall financial security. The bottom line? It’s critical to help clients prevent overspending the money they need for core living expenses.

Step 7: Do appropriate estate planning and avoid unnecessary taxation

Guiding clients in protecting their portfolios from unnecessary taxation is vital. Before the situation occurs, ensure that they understand how withdrawing money from qualified or tax-advantaged accounts (or failing to take required distributions) can cause significant fees and penalties.

In addition, make sure estate planning documents are in order and easy to locate, including wills and powers of attorney. Ensure other family members are aware of the wishes and directions. Also consider potential tax implications of final wishes and how a client’s estate may be distributed. Referrals to legal and tax professionals helps your clients see not only the importance of this planning, but also your care and concern.
Improving Satisfaction in Retirement: Defining a Healthy Lifestyle

While financial concerns can lead to undue anxiety, as we’ve seen, retirement satisfaction is about much more than finances. Advisors play a critical role in encouraging and empowering their clients to take steps to identify and define a healthy lifestyle. This can go a long way toward improving their well-being. Some advisory practices have found addressing these issues through a holistic relationship-building effort can add great value and serve as a differentiator. With a big-picture approach, try sharing some of the following ideas with your clients via seminars, personal meetings, newsletters or media outlets.

Idea #1: Find a passion and define a purpose
After years of work, finding a structure to a new retirement routine is important. Many may channel their newfound time into hobbies or creative endeavors. Others may volunteer or get involved with their faith communities. These activities can become a positive focus and bring structure at a point in life when time is more abundant. They can also provide a social outlet. Just like a client’s former 9-to-5 workdays, defining specific goals and creating a plan to achieve them should continue in retirement.

Idea #2: Consider how relationships change
After years of spending days apart, spouses are often surprised to find that spending so much time together can mean new challenges. If one spouse worked and another was primarily at home, the person who worked at home may feel as if his or her space or responsibilities are being impinged upon.

Sometimes the adjustment may be more about foregone relationships and former co-workers may find it hard to stay in touch. Consciously scheduling time with former colleagues and old friends is important, as is building new friendships. Thinking carefully about relationships and communicating openly with partners or friends can help improve a period of adjustment.

Idea #3: Confront fears about aging
While many people enter retirement in good health, the aging process can have a profound effect over time. Proactively considering how to spend the twilight years can be a difficult but important process. Confronting fears about declining health, assisted living or even losing a spouse can help retirees prepare and create a plan for a variety of very realistic scenarios. With an advisor’s guidance, this process can be calm, reasoned and reassuring.

Idea #4: Determine how to spend each day
Over the course of a full-time career, an individual’s daily schedule was fairly structured and defined. In retirement, that definition may be lacking. That’s why establishing a new routine is important. Many retirees set aside specific times to exercise, participate in recreational activities, socialize and relax. Many also find their time quickly committed to volunteer activities, hobbies, or travel. Some find part-time work brings a sense of meaning and responsibilities.
Idea #5: Stay healthy and engaged

Having a strong social network is correlated with good health in retirement\(^6\). As such, scheduling time with friends and family can help achieve social connectedness once found at work. Of course, proactively staying in touch with friends and family takes effort, but most find that contact rewarding. Likewise, staying physically healthy and active is also correlated to good health and satisfaction in retirement. Many seniors walk to stay fit. Others golf or join a health club.\(^7\)

Staying physically active is also correlated with better brain health and lower rates of dementia. The National Institute on Aging, a division of the US Department of Health and Human Services, offers a guide to staying active throughout retirement: https://www.nia.nih.gov/health/publication/exercise-physical-activity/introduction

Idea #6: Think about redefining

Because retirement represents a big lifestyle change, some new retirees consider opportunities for a clean slate.\(^8\) This redefinition may include conscious decisions to incorporate more healthy habits (both emotionally and physically) and eliminate a variety of vices. A mindful consideration of one’s habits – eating, drinking, gambling, TV watching, shopping and other activities that can be destructive in excess – can provide meaningful direction, improvement and purpose.

\(^6\) [HTTP://WWW.PNAS.ORG/CONTENT/113/3/578.FULL]
\(^7\) [HTTP://WWW.NBER.ORG/PAPERS/W12123]
\(^8\) [HTTP://KNOWLEDGE.THEAMERICANCOLLEGE.EDU/BLOG/PSYCHOLOGY-OF-RETIREMENT-INCOME-SATISFACTION]
Conclusion

The challenges of transitioning to a satisfying retirement are real and significant. As an advisor, it’s vital to effectively work with clients prior to and during this important time. Working together, asking questions and creating plans are essential steps in helping clients achieve the security they desire and reducing their anxiety. While the focus may be financial, advisors can serve a larger holistic purpose, have a meaningful positive impact on clients and their families and build strong, long-term relationships.