



Kiplinger Financial Services' COMMON CENTS MATTERS

MARCH-APRIL, 2005

PERSPECTIVES FOR RETIREMENT

We were shocked when Lee Iacocca admitted to the world in a *Fortune* cover story that he had flunked retirement. Perhaps you read it too—it was the issue of June 24, 1996. “You plan everything in life,” said Iacocca, “and then the roof caves in on you because you haven’t done enough thinking about who you are and what you should do with the rest of your life.”

How could a man like Lee Iacocca—a man with fame, fortune, and a reputation so positive that it prompted many Americans to urge him to run for president of the United States—flunk retirement? Indeed how could anyone? When did retirement start to come with a pass-or-fail grade?

PREVIOUS RETIREMENT THINKING

It used to be simple. Our parents and grandparents lived, saved and then they retired. But retirement isn’t so simple anymore. Why? Most of us will live 30 years longer than our grandparents and even most of our parents. Not only is there the concern about how you will fund that stage of your life, but also how will you spend your time.

Many people who are close to retirement are so preoccupied with getting out of the confines of their job or career that they don’t take time to think about what happens when they leave their job. The focus is usually on what they are escaping rather than on what they want their retirement experience to be like.

Our retirement life will present more freedom than ever before regarding how we choose to spend our time. Anticipating the challenges and opportunities of “free” time is both exciting and frightening. Keeping busy is a fine idea for retirement if you are doing what you want to do and your activities are meaningful and fulfilling. You don’t want to trade a life of challenge and opportunity for busy work. Retirement can be an opportunity to “make a life” instead of “making a living.”

Your retirement years can provide a new phase of life in evaluating your life’s work, your future and your money.

THINKING ABOUT YOUR LIFE’S WORK

Many baby boomers view retirement as a time to grow, develop and contribute. They look at retirement as a time when they can feel free to pursue whatever kind of work, paid or unpaid, they find most meaningful. Instead of “not working,” they expect to retire and launch into an entirely new job or career.

Research shows that only about 15% to 17% of baby boomers want their retirement years to be solely an indulgence in leisure. Most baby boomers want to live more balanced and fulfilled lives in the coming years, filled with a variety of activities. Yet oftentimes we don’t know exactly what “balanced and fulfilled” means or how it translates into daily life.

Ask yourself these questions and answer them honestly: What do you want? And how will you know when you get it?

People really do have their own solutions. The problem is, either they don’t know how to discover them, or they avoid discovering them. But if you want to make good decisions for your work and your life, simply ask those two questions—because it all comes down to very simple things.

Evaluating your current work is a process of assessing whether your work is costing you more in life than it is giving you? Research has shown that nine out of ten workers who seek career advice find that they do not need to leave their current employer to make major improvements in their work life. Most find that all that is needed is a new perspective on personal priorities and creative problem solving. Evaluate the following three work life satisfaction areas:

- **Responsibilities and Activities** – Evaluate the time you spend on what you like doing the most and things you do not like to do. Possible solutions for change may require better time management, negotiating requests with your employer, delegating

work to a colleague, finding another position within the company better suited to you, or perhaps stepping outside your comfort zone and focusing on your career growth.

- **The Way You Work** – You may love the work you do, but other circumstances are robbing you of productive work time. Some examples might be your commute, office politics, interruptions, etc. Once you isolate and identify your frustrations, you can think about possible solutions. For instance, perhaps you can work a day from home to cut down on commuting time, or change the location of your desk to avoid co-workers distractions. To allow workers to be productive, employers are accepting non-traditional work arrangements and flexible work schedules.
- **Your Personal and Professional Growth** – It is important to evaluate your life balance. Stress in other areas of life can greatly affect how you feel about your work. Perhaps the change is actually within you. It may be your own attitude that is keeping you from fully appreciating what your workplace is providing you in terms of compensation, benefits and career opportunities. It may be helpful to take some time off for rest and recreation to renew your energy and enthusiasm for your work.

Transitioning into a different work life may be in store for you after you have carefully evaluated your current work. It is not uncommon for an individual to have at least two or more careers in a lifetime. You may conclude that it is time for new challenges and experiences.

The first and messiest step toward career reinvention: acknowledging your own unfulfilled expectations. In *Finding Worth That Matters*, Mark Albion urges listeners to consider these questions: What are your passions? How can you contribute to the world? How can you best serve others and yourself?

Ninety percent of people can't answer those questions right off the bat. That's normal. And it's sometimes painful when people begin to recognize that "who they are is not who they want to be," Albion says.

To help you prepare for this new adventure consider the following:

- **Take ownership of your work life** – Accept responsibility for the success of your work life. Whether you are an employee, retiree, entry level, executive, paid worker or volunteer, remind yourself, "*If it is to be, it is up to me.*"
- **Know yourself** – Invest time in assessing your skills, interests, values and priorities. You may even want to consult a career counselor or take a

trip to your local library to help you in your assessment.

- **Dedicate yourself to continued learning** – Read books, take classes, take on tasks and assignments that will increase your skills and knowledge. In stepping outside your comfort zone, you will be preparing for your future.
- **Become computer literate** – It is extremely important that you pick up basic computer skills regardless of your position as employee, retiree, or volunteer.
- **Strive to develop the "universal" career skills** – These are skills that will serve you well no matter what you do and whether or not your work is paid or unpaid. For example, a strong work ethic, good communication skills, and an aptitude for creative problem solving will increase your ability to succeed on any assignment. Other valued skills are competency, flexibility and optimism.
- **Build your "portfolio" of transferable skills and competencies** – Keep an up-to-date list of your work related achievements and community activities. More important than job titles on a resume are the skills and competencies that you possess.

Whether your aspirations lead you to paid or volunteer work, you want to be prepared and qualified for the tasks and positions that will be the most interesting and meaningful to you.

THINKING ABOUT YOUR FUTURE

The concept of retirement is going through a metamorphosis. Traditional retirement is in decline. Retirement no longer is equated with being old or synonymous with leisure. Just as baby boomers have redefined every stage of their lives, so too will they redefine aging and retirement.

Helen Harkness, PhD., a career development expert believes that we should reject the view that increasing longevity extends old age and recommends a different perspective in her book, *Don't Stop the Career Clock*: "If these extra years are handled wisely, our middle age will double dramatically into a new second midlife, while our 'old' age shrinks." Harkness also believes that these extra years should be viewed as a precious gift and advises "we must take an active hand in managing our windfall."

A ten-year research study documented in *Successful Aging*, by John Rowe, M.D. and Robert Kahn, PhD., revealed three main components of successful aging:

1. Avoid disease
2. Maintain high cognitive and physical function

3. Actively engage life

Rowe and Kahn stressed that their study was not a search for the fountain of youth, but rather an effort to identify the keys to living well even as we age.

The thoughts that retirement, as a stage of life, is devoted to rest and relaxation are outdated. Leisure is important to maintaining good health; however, too much leisure can lead to lethargy, indifference and complacency. A life with meaningful goals, new challenges and productive activities leads to a happy retirement full of significance and purpose.

Therefore, it is important to proactively plan your retirement in the various aspects of your life, such as work, family, health, learning, leisure, inner growth, community, finances, etc. Health, happiness, and productivity are the results of long-term life choices achieved by the decisions you make on a daily basis. The daily choices you make are cumulative and will determine the quality of life you experience in the future.

In planning your retirement future, it is vital to determine what is important to you in terms of your values and priorities. The more you understand what is important to you, the easier it will be to identify what you are working toward.

THINKING ABOUT YOUR MONEY

We don't need money to make our life, but we do need money to live. With that being said, the traditional retirement plan has been to build a "nest egg" of personal savings, and investments that will supplement Social Security and pension benefits. Together these three sources would provide a solid, well-balanced foundation for financial security.

These traditions have changed. The reality is that most of the employer-paid pension plans have been replaced by retirement plans such as 401(k)s which are funded primarily by employees. In addition, Social Security benefits are less generous than they once were, and the solvency of future benefits is in question. Because of these two major changes, more responsibility for financial security has shifted to personal savings and investments.

To add more stability to your financial security you may want to alter your work life into one or more of the following possibilities:

- Retire at an older age
- Have part-time or part-year jobs,
- Move into a new career
- Gradually phase out of your current position rather than make an abrupt departure

Not only will this provide an additional source of income, but also provides benefits which may be

needed. Health care costs are often an unrecognized cost of retirement. Employer-funded retiree health plans are disappearing or raising costs for their retirees and Medicare pays only roughly 55% of the average retiree's health care costs.

In the past, the transition to retirement has been viewed solely as an economic event. Of course, financial security is important, but financial planning alone will not guarantee a rich and rewarding life in retirement. Thomas J. Stanley, author of *The Millionaire Mind*, points out that the most satisfied wealthy people don't just have financial goals, they also have life goals. They have clarity around what they want in life and use their wealth as a tool to support those values and priorities. Consider not only how the transition to retirement will affect your life financially, but how it will influence all other areas of your life as well.

You will experience a more fulfilling life when you use your money in areas that are in line with your values and priorities. We briefly discussed identifying what is most important to you or what you value most in life. These values can become the foundation for your life goals and priorities.

As you think about your life and prepare for your future consider these questions:

- *Who will you want to take into consideration?* You may have financial responsibilities and hopes for your spouse, children, parents, etc?
- *Whose lives can you "give back" to?* Donors are getting more personally involved by contributing their time, energy and expertise.
- *What causes do you want to advance?* Many people express how their own life satisfaction has multiplied by charitable giving and community service activities.
- *With whom do you want to share that which is most meaningful to you?*

As you begin to focus on designing your life in retirement, it would be helpful to choose a financial professional who is dedicated to understanding your history, circumstances, life transitions, values and priorities in order to make the most appropriate financial planning recommendations.