

Retirement Readiness Report

Helping older employees get ready to retire successfully

A free newsletter for employers, unions, and pension funds, produced by RetirementWORKS[®], Inc.

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Welcome to the inaugural issue of the *Retirement Readiness Report*. We are offering it as a free resource, which we hope you will find useful when you think about how your organization supports the transition into retirement.

We encourage you to contact us at any time if you have ideas, criticisms, suggestions, or other comments about this newsletter, or wish to update your email address (or be added to or removed from the list).

Next month:

Retirement advice: How retiring employees may go wrong when deciding when they (and their spouses) should sign up for Social Security benefits.

Helping older employees retire: Why it should matter to you and your organization

Although the answer may seem obvious, this is a question worth addressing, because there is more here than first meets the eye.

The retirement transition has always been a legitimate area of concern, of course, even while other concerns have often trumped it. But now that the front edge of the Baby Boom generation has reached age 62, and more and more people are retiring with less and less guaranteed retirement income, this issue grows increasingly significant with each passing year.

Employers, pension funds, and many unions have a financial stake in successful retirement, as well as a benevolent interest. When you consider the large sums that your organization has paid into pension plans and other benefits, and their administrative costs – and if you are an employer, your share of the Social Security payroll tax – it amounts to a substantial investment in the financial security of your retirees. Yet that investment is at risk when employees heading into retirement make important decisions about their lives and their finances without the help they need to choose wisely.

Most of us retire only once. Experience counts, but when it comes to retirement, hardly any of us has it. Yet the decisions we make at that stage are numerous, complicated, sometimes irreversible, and fraught with consequence. If we try to handle them on our own, what chance do we have?

This question could admittedly be applied to many issues, but retirement is unique in one respect: employees who make bad financial decisions when they retire often have no chance to recover. It often takes five, ten, or more years before it becomes apparent that savings are starting to dwindle, and there is still no telling how many more

years they need to last, or what else will go wrong in the future. By the time all this does become apparent, there is no chance of going back to get that old job, or anything similar. If the retiree has become infirm, or is caring for a spouse or other person who is infirm, it may be impossible to earn any income at all. At this point, all options are bad options.

It really isn't very hard to turn a nest-egg into an empty shell. Fortunately, it also is not very hard or costly to prevent it. Compared to the large investment and effort employers and others put into making it possible for employees to retire decently, the small investment and effort it takes to help employees get through the financial transition into retirement is among the most productive that can be made.

But retirement is about more than money, and for people (like you) who spend their careers trying to take care of people who work, retirement is an opportunity to exercise your benevolent instincts – and to do it on behalf of the people who have contributed the most for the longest period of

time, and whose institutional loyalty often extends back for decades.

Retirement is not just a career transition – it's a life transition. Its financial ramifications are many and subtle, but so are its other ramifications: its impact on family

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relationships, on self-image, on friendships, on health, on one's place in the community, even on how one views the meaning of life and one's spiritual grounding. You might not want to be responsible for all of that – maybe not for any of it – but still, it would be easy enough to point retirees toward resources where they could work through these issues on their own (perhaps starting with the book and website reviewed below).

When you consider the money and time that has gone into making someone's retirement possible, and the money and contentment (or stress and anguish) that

is at stake for the two, three, or more decades after someone retires, the importance of a modest amount of help at that critical juncture becomes patent. It is a smart investment, for both financial and benevolent reasons.

Providing this critical guidance does not have to be difficult or expensive. In this and future issues of the *Retirement Readiness Report*, we will examine the challenges, opportunities, and resources you should know about to help you help the older employees and retirees you serve.

Recommended Reading for Employees Getting Ready to Retire

Retirement Rx, by Frederick T. Fraunfelder, M.D. and James H. Gilbaugh, Jr., M.D.

\$23.95 (Penguin Group, 2008)

Notice: We do not sell books, or have any financial stake in recommending them.

For a broad look at what it means to have a “successful” retirement, and for wise advice on getting there, *Retirement Rx* is one of the better new books available. It

won't tell you everything you need to know, but it is a great place to start, because:

- it covers the whole territory (not just medical concerns, as its title might suggest);
- it is relatively short and easy to read;
- it provides simple self-diagnostic tools to help you figure out where your areas of unreadiness might be; and
- it then offers smart advice about how to shore up those weak spots.

The core of the book is a discussion of eight traits of people who have adapted well, who have been able to thrive, in retirement. To put them into somewhat different words than the authors use, these traits are:

1. Willingness to plan ahead, about both financial and non-financial matters
2. A positive attitude
3. Acceptance of change
4. Strong relationships with family and friends
5. Ability to enjoy leisure time

6. Active interest in maintaining one's health
7. A sense of purpose, and a passion for what one does in retirement
8. Religious or spiritual grounding of some kind.

The authors emphasize the scientific nature of the method by which they arrived at this list. Their method appears to be flawed, but their results are consistent with what the current best experts say, so we believe that it is a good starting point nonetheless.

More important, you should find their analysis of each of these eight traits helpful – not only in theory, but as a practical way of thinking about oneself and one's own approach to your retirement. For people who have not yet started this thought process in any systematic way, this is as good a place to begin as any.

It will not carry you the entire distance, though. The doctors who wrote this book are not financial advisors, and they have little to say about money moves that should be made. This is actually

a strength of this book, though, since financial decisions at retirement require a level of individual analysis that no printed source can provide. However, some other books do offer good background information about retirement finances – basic concepts you should understand – and employees approaching retirement will need to go to one of those, or to some other source, when they are ready to get serious about financial decisions. (We will review many of these other books in future issues.)

But if you want to start with an overview of how to prepare mentally and in other practical ways for retirement, you will do well to read *Retirement Rx*. We particularly recommend this book for people who see themselves as still being a few years away from retirement, and are not yet overwhelmed with the details of that transition.

Featured Website

Retirement Dictionary

<http://www.retirementdictionary.com/>

This site, sponsored by Appleby Retirement Consulting, is an excellent resource for individuals and for professionals like you. Its core is a dictionary of a few hundred key terms that relate to retirement plans and retirement planning, though “dictionary” is too modest a term, and most of the entries contain the kind of detail you might expect instead from an online encyclopedia.

In addition, the Retirement Dictionary site is a portal to other resources, including research reports, legislative and regulatory news, government publications, outside articles, legal citations, tutorials and Q&As relating to IRAs, a “yellow pages” listing of outside services that can be viewed either by subject or by state, and other resources both for individuals and for businesses.

The Retirement Dictionary site is the brainchild of Denise Appleby, a retirement expert frequently cited in the financial press. Robust as this site already is, she continues to expand it in range and depth. It is the kind of site you will want to return to, and to recommend to others, on an ongoing basis.

About RetirementWORKS[®], Inc.

We are the consumer subsidiary of Still River Retirement Planning Software, Inc., of Harvard, Massachusetts, which has specialized in retirement plans and retirement planning since 1994.

Our philosophy is that retirement needs to be seen from the retiree’s point of view, in all of its complexity. So we offer the most powerful and useful financial software available anywhere for retirees and near-retirees, supplemented with advice concerning non-financial aspects of retirement.

We do not sell any financial products or services other than software, and have no financial stake in any advice that is offered.

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