Retirement Readiness Report

Helping older employees get ready to retire successfully

A free report for employers, unions, and pension funds, produced by RetirementWORKS®, Inc.

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Welcome to the third issue of the *Retirement Readiness Report,* offered as a free resource, to help 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, or other comments about this publication, or wish to update your email address (or be added to or removed from the list).

If you missed issues #1 and #2:

They're available at: http://www.retirementworks2.com/support.asp?id=newsletter

Next month:

Are the financial calculations from your 401(k) or 403(b) provider what your retiring or retired employees really need?

How individual personality affects retirement decision-making, and what you can do to accommodate it.

Getting ready for retirement means making a lot of financial decisions. It also means making a lot of life decisions. In many cases it means making those decisions in concert with a spouse, life partner, or other involved parties. A tall order indeed.

Even if we were robots who approached everything purely rationally, without emotion and without bringing preconceptions, attitudes, fears, hopes, and other baggage with us, retirement decisions would be difficult. We can easily be stretched to our limits just trying to manage them with calm and precision. Yet if we actually *were* to put aside the emotions entwined in these issues, and put aside the personalities of the people making the decisions, whatever process we developed would be without heart, and it would not be up to the job.

Retirement is about dreams and fears and changes, not just money and schedules. One's personality therefore is *central* to preparing for retirement. And while it is hard to find processes that put it there, and impossible to find ones that do it in a way that fully integrates with all the financial and non-financial facts and decisions to be made, there is hope for the future and there are positive steps we can take right now.

First, let's itemize some – though only a few – of the ways personality makes a big difference:

- The timing of retirement will be affected not just by financial factors, but also by the relative attractiveness of continued work versus the alternatives that retirement presents, and by often visceral attitudes about self-worth, the need to contribute, the need to be in control, the quality of the marital relationship (if applicable), and many other individual personality factors.
- Most people need a sense of purpose and meaning in their

lives. Do they know before retirement how they will derive these after retirement? If they don't, can they really be ready to make the leap successfully? But if they do think they know, will their intentions really suit their personality, and fit in with other aspects of their new life?

- People who by nature are pessimistic or fearful about the future may delay decisions, refuse to make plans, or (unrealistically) try to make plans that are fail-safe. Optimists, meanwhile, may rush into decisions, not worry about planning, or make plans that are chancy financially or in other respects.
- Employees who are primarily people-oriented may be less equipped to deal with the financial aspects of retirement, while those who are more comfortable with numbers and schedules and procedures may not fully appreciate and prepare for all the other adjustments entailed by retirement and aging.

You could probably add dozens of items to this list, with a little reflection. You undoubtedly know people who have retired, some of whose lives and joys were expanded by the experience, and others whose lives shrank and became unsatisfying if not miserable. In most cases, the cause for these differences lies, to paraphrase Shakespeare, not in our wallets but in ourselves.

"Some people retire to satisfying lives, others to unhappy, even miserable ones. In most cases, the cause for these differences lies, to paraphrase Shakespeare, not in our wallets but in ourselves."

The big question is: what can you do to help take account of these issues in a constructive way when helping employees prepare for retirement?

There are things you can do, but for now, not so many as we would like. Much more attention has been given to the financial aspects of retirement than to the non-financial aspects. And where the non-financial elements are dealt with, they tend to be presented in a general way, often illustrated by real-life or composite examples – all of which is helpful for overall understanding but does not provide detailed help for any given individual.

One impressively helpful contribution, however, has been made by Eric Sundstrom and Randy and Michael Burnham, in their book, *My Next Phase*. As further explained in the review below, this modest-sized volume deals engagingly and helpfully with the personality issues that so strongly affect how we approach retirement.

Another way of dealing with these issues is through discussion groups: taking advantage of the wisdom of peers who are approaching retirement and who can hash out some of these issues as a group (ideally with a little guidance, of course). Such groups can even carry forward past the retirement event itself, and therefore deal not just with expectations and plans, but with the reality of retirement as it unfolds. We will discuss this option more fully in the March issue of the *Retirement Readiness Report*.

But more robust, encompassing solutions will have to await the future. In our own shop, we are starting to think not only about how financial and non-financial issues intertwine, but also about how both kinds of issues depend on foundational beliefs, attitudes, and personality characteristics, as well as on current facts and personal history. In principle, it should be possible to build an approach to retirement that takes all of these (and their connections) into account – but it will take several years to get there.

Recommended Reading for Employees Getting Ready to Retire

My Next Phase, by Eric Sundstrom, Ph.d., Randy Burnham, Ph.D., and Michael Burnham

$24.99 (Springboard Press, 2007)

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

The subtitle of this book is "The Personality-Based Guide to Your Best Retirement," which is a very apt description.

We find this to be a unique and important book – but it is also easy to read and understand, and can even be fun.

The authors begin by discussing retirement in general, and help the reader determine whether s/he is ready for retirement. Although their approach to this question is not detailed and sufficient from a financial point of view, it is well-rounded and encourages consideration of what are widely considered to be the main issues.

Then the book settles into its main tasks: helping readers determine, understand, and cope with their "retirement style." By this the authors mean a general approach to life and to making decisions, which in turns means a broad personality profile. They break it down along seven scales:

- Social style:
  outgoing vs. contemplative
- Stress style:
  responsive vs. resilient
- Activity style:
  independent vs. interdependent
- Information style:
  practical vs. visionary
- Outlook style:
  optimistic vs. cautious
- Decision style:
  analytic vs. empathetic
- Planning style:
  structured vs. flexible

These abstract-sounding ideas are made real by lucid explanation and engaging examples.

Nor is this book merely an exercise in exposition. It contains simple quizzes that help the reader place him/herself along each of these dimensions, either at one end or the other, or as demonstrating "mixed" characteristics.

Most important of all, the authors work out the practical implications of these traits in terms of how people can live satisfying lives in retirement, how they make the transition into retirement, and how they make the decisions that allow all this to happen.

They also take into account that each member of a couple is going to have a different profile, and they discuss how these differences can be dealt with.

As the book mentions, “My Next Phase” is a website and a business, as well as a book. More detailed analytical tools are available for a fee on the website, and services are offered direct to employers.

Our attempt to learn more about these other offerings via the website’s contact form was unsuccessful, but we do recommend the book very strongly. Although other sources we have seen also discuss psychological issues, this is the first and only one we have found so far that truly focuses on these points and gives them their full due – and does it in a readable, practical, truly helpful way, to boot.

We would not recommend this book as the sole resource to be used by or for a retiring employee. Financial, health, and other important matters are addressed only superficially. But *My Next Phase* can be a very valuable supplement to other elements of what you offer or recommend to older employees.

Featured Website

ELDR.com

http://www.eldr.com

This website is a friendly, lively, all-around resource for people age 60 and up. The best description is probably the one from the website itself:

“ELDR brings an enlightened, entertaining and sometimes edgy approach to aging through its reviews, articles and interviews, dynamic photography, and artwork. Regular columns include ELDR Travel, ELDR Yoga and ELDR Tech. We also feature regular stories on grandparenting, caregiving, and staying mentally sharp, among others. ELDR offers fresh viewpoints on social issues and new ideas on health, fitness, finances and activism.”

The site offers both unique content (notably, a variety of interesting blogs) and useful links to external resources and news stories.

Those who wish to register as members can participate more actively: posting comments on the blogs, and creating their own forums or discussion groups (additional member benefits are currently under development).

This is a site your retired employees, as well as working employees falling in the target age group, might want to know about. Our guess is that most will find at least a few features of particular interest to them there.

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 viewed from the retiree’s point of view, in all of its complexity. So we offer the most powerful and useful software available anywhere for retirees and near-retirees, and advice concerning non-financial aspects of retirement. But 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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