

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 twenty-first 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 thru #20:

They're available at:

<http://www.retirementworks2.com/support.asp?id=newsletter>

Next month:

Issues with Adult Children.

Implications of the MetLife Retirement Readiness study

First of all, if you care about retirement readiness, you should read this report for yourself. It is of reasonable length and is available online for free. It's title is: *The MetLife Retirement Readiness Index: Are Americans Prepared for the Transition* (May 2010), and you can find it at: <http://www.metlife.com/assets/cao/mmi/publications/studies/2010/mmi-retirement-readiness-index-.pdf>.

Overall, the results are not surprising: only about half of the respondents (of which about 20% are already retired) said they feel they are prepared for retirement. A majority either don't have savings goals or are behind in those goals, and nearly two-thirds now feel that they will not be able to retire when they had expected or planned to.

Of more interest to us than the results of the report, though, is its structure. The financial industry has been slow to do more than advertise the concept that retirement means a lot more than a change in one's finances. And even those companies that try to offer their customers some guidance in areas other than purely financial, product-related issues, do very little, and don't even do that very well – which is one of the reasons we feel that making sure employees are “retirement ready” needs to be addressed by employers themselves, as well as unions and pension funds.

Still, in an industry of limping tortoises, MetLife is not exactly a hare, but it is a faster-than-average tortoise. And their approach to this study is interesting. Rather than just ask about financial matters, they identified fifteen “tasks” in five categories that people need to perform in order to actually be ready for retirement.

Work tasks

- Decide whether to fully retire, or to work part-time in retirement.
- Determine which of one's skills could be easily transferred to a

new part-time job.

- Look into alternative career or part-time work opportunities in retirement.
- Formulate ideas about how much work one would like to do in retirement.
- Explore what employment possibilities are available for full- or part-time work.

Leisure & Activity tasks

- Determine the proper balance between work and leisure time.
- Identify personal goals in retirement.

Relationship tasks

- Consider the importance of relationships with co-workers, when making a decision to retire.
- Consider how the various aspects of retirement might positively or negatively affect relationships with family or friends.

Income & Benefits tasks

- Assess whether full-time retirement is financially feasi-

ble at this point.

- Evaluate how changes in the economy will affect one's pension, investments, and retirement benefits.
- Determine the steps necessary to receive employer, government, or other benefits one is entitled to.

“Some tasks have been mostly or fully completed by only about one-third of the survey respondents, and these scores would be closer to 25% if people who are already retired were excluded from the study.”

Planning tasks

- Determine the factors that are critical to maintaining a personally satisfying retirement.
- Develop an alternative plan that could get one through a considerable, unexpected setback in retirement.
- Evaluate whether one's retirement plans meet the

demands of personal, social and financial changes.

We could easily make the case that this list of tasks is far from complete or adequate – it is based on a doctoral dissertation completed in 1993, and a lot of good, new thinking has been done since then.

Still, this is a useful list of tasks, a worthy one for purposes of conducting this kind of survey, and it has resulted in data that was not previously available.

The most striking result to us is how unready most people are for retirement in *non*-financial ways. The MetLife report itself makes it regrettably hard to interpret the results, because for the most part they compare responses in each category to the average, and they report only a modest number of raw percentage results.

But they do report enough to determine a high degree of overall retirement unreadiness. The best results have to do with how much people want to work in retirement, and even there, only 54% have this “mostly” or “fully” figured out.

Some other tasks, meanwhile

have been mostly or fully completed by only about a third of the survey respondents. And it appears that these scores would be closer to 25% if people who are already retired were excluded from the study.

These results are pathetically, appalling poor – though, sadly, not all that surprising.

They underscore the severe need that most older employees have for assistance in identifying and completing the tasks required for them to prepare for a satisfying – or even a non-traumatic – retirement.

Recommended Reading for Employees Getting Ready to Retire

Transitions: Making Sense of Life's Changes (2nd Edition), by William Bridges

\$15.95 (Da Capo / Lifelong Books, 2004)

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

The first and second editions of this book have sold over half a

million copies, a success that is well deserved.

And while *Transitions* is not about retirement specifically, it is about retirement generically, since retirement not only is in itself one of the biggest of life's transitions but is also often accompanied by other transitions – in one's sense of purpose, in one's domicile, in one's self-image, in one's marital or other relationships, and in other ways as well.

Transitions in general are not necessarily traumatic – and a retirement that is planned rather than a result of a layoff or a medical problem can be prepared for. But even in a planned retirement, and even when we are financially ready for the change, we are not necessarily emotionally and psychologically ready.

For transitions, according to the very strong case Bridges makes, are not merely changes – they represent a deep shift in ourselves, a readiness to let go of some important element of the past and to embrace a substitute that represents the future.

We can plan to retire at a certain date, but may not really be ready to let go, or ready even to choose, let alone embrace, what comes next.

Bridges' primary insight is that transitions are really three-stage events. First, they are an ending to some aspect of what we have been. Second, they involve a neutral period when we typically feel at a loss, because we have not yet transitioned to what comes next. And third, there is a new beginning, when we know and are ready to move on to our new situation.

The beginning, neutral period, and end are not just three ways of looking at a change in our life. Rather, they are three separate psychological stages, each of which normally takes some time.

Although Bridges doesn't exactly say this, it seems to us that in the case of retirement, ideally the "ending" should occur well before the employee actually retires. He or she should still be committed to finishing the job, of course, but the emotional letting go, and the *defining* of oneself as the person who holds a certain job, should

be over with. And again, ideally, the employee should have muddled through most of that “neutral” period where the new future is being internally redefined, and be ready and eager to embrace it by the last day on the job.

Transitions is a wise, insightful, and well-written book, which you can feel safe recommending to anyone approaching retirement or facing another major life change.

Featured Website

“Stress Tips”

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

One reality of life transitions is that they produce stress. As has long been known, even positive transitions such as getting married, having a child, or being promoted at work – or retiring – can generate large amounts of stress.

The Stress Tips website is the work of “stress management expert” John Townsend. Every month or so (maybe it would be too stressful for him to be tied to a regular schedule!), he posts a short article about some aspect of

stress and how to deal with it.

Recent columns include:

- Changing workplace culture (a case study).
- Heal yourself in 2010 with NLP [Neuro-Linguistic Programming] and hypnotherapy.
- Got stress? Snap out of it in ten minutes.
- 6 simple steps for reducing clutter.

Older postings are archived and can be found easily, as well as CDs, books and other products related to stress reduction.

The page we like best is actually hard to find, but the link is:

<http://www.stresstips.com/lifeevents.htm>. This page is a quick and

easy version of the Holmes and Rahe Stress Test – a well-established diagnostic tool for estimating stress levels in individuals. Versions of this test are actually widely available on the internet, but we like this one best because its format is very convenient, and the scoring is done automatically for you.

This site is not the be-all-and-end-all, but if you have employees who clearly are stressed about their retirement (or other

aspects of their lives), this might be a good starting place for them.

About RetirementWORKS®, Inc.

We are the consumer subsidiary of Still River Retirement Planning Software, Inc., of Harvard, Mass., 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 financial 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.

We can be reached at:
69 Lancaster County Rd.
Harvard, MA 01451
(978) 456-7971 or
info@RetirementWorks2.com
www.RetirementWorks2.com

Notice: If you are keeping an eye on our Retirement Readiness website prototype, we are now about 60% done.

You can check it out at:

http://www.retirementworks2.com/RetireReady/RW_RetireReady_Orientation_1year.htm.