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Lemons and Lemonade

By Bill Coffin

SunAmerica released its [2011 Retirement Reset Study](#) yesterday, which is its first survey of retirement expectations in a decade. As the study notes, the last 10 years have been tumultuous ones, and their impact on what people can expect regarding retirement has been dramatic. So much so, in fact, that we are seeing a change not just in the finer points on how to fund retirement or when to expect to retire, but a redrawing of the concept of retirement itself.

There were a number of interesting findings from the study, but the ones that struck me the most ultimately told a narrative of a public that has significantly shifted its risk appetite in the last 10 years from one of wealth accumulation to protecting what they have, and facing a retirement that is not likely to start until 69, and when it does, almost certainly entails the prospect of continuing work as people expect to live to 100 and realize that somewhere along the way, they are going to have to contend with very real health concerns that can easily deplete one's nest egg. Somewhere mixed in is the notion that people don't want to burden their families either, which is easy to appreciate. You don't want to work through the most vital years of your life just so your kids can grumble about how much of a load you are. The end result is that there is a greater need for retirement planning and financial planners than ever before, and if you want to face your retirement years with a sense of certainty, then this is what you are in for.

If I sound a little cynical about it all, I suppose it is because the market realities this study mentions are new to nobody in this readership, and they are not exactly the kind of thing that strike me as great, big opportunities. Pushing back one's retirement age and working through retirement aren't the new normal for a good reason; they are fallout from the world going sideways in 2008 and 2009, and to pretend otherwise strikes me as the retirement planning industry making lemonade out of lemons at best, and at worst, putting on rose-colored glasses to help their customers pretend that the life-altering disappointment that has been the Great Recession is something that it is not.

Now having vented my spleen, I must note that SunAmerica was kind enough to arrange for a conversation between myself and Mary Jane Fortin, CEO of American General Life Companies (whose parent, of course, is the SunAmerica Financial Group). And while Fortin was predictably upbeat about the study's findings, she also admitted that the sharp change in expectations was very much a function of how things have changed since 2008-2009 more than anything else. According to the study, she noted, financial protection and peace of mind were six times more important to people than they were 10 years ago, and that need to protect from uncertainty is going to have a huge impact on how advisors approach their clients.

Fortin liked people's transit through the Great Recession to people who lived through the Great Depression, and how that event left an indelible mark on how people viewed saving and spending. She suspected a similar phenomenon was afoot here, as borne out by the study results. On the upside, she said, if the Great Recession has done anything, it has helped to bring people's expectations about financial performance back down to Earth.

And this, I think, is where we get to the critical notion of working in retirement. When I challenged Fortin about the study's rosy conclusion that folks want to work in retirement because they would find it stimulating, she conceded that in reality, working in retirement is very much a function of people actually needing to work, at least to some degree. But she also noted that it is not as simple as people getting cleaned out in 2008/9 and not having the money they need to live a life of leisure until they turn 100. As society itself questions the future of things like Social Security as well as long-term economic performance, the thought of retiring later and working forever has gained a great deal of traction. Gone is the notion of living an extended vacation for 10 or 15 years once one quits working. But at the same time, Fortin says, this need to work, coupled with hitting one's autumn years, is a chance for people to re-invent themselves. Folks might still have to work, but not full-time, and perhaps in an entirely different industry or trade. And this, I think, is most interesting. Part of the need to plan for the future means planning so that you can absorb whatever risk comes from switching careers late in life.

For years, retirement planning has hawked the notion of turning 65 and suddenly being happy building model trains or taking road trips all the time. This study is one of the first I've seen that, once you strip away the candy-coated marketing speak, does get to the heart of a new reality: We are all going to work longer than we thought we would, but that doesn't necessarily have to be a bad thing, especially given our workaholic culture, and an overall health landscape that makes it perfectly feasible to remain active far later in life than our parents did. Having said that, I do think that the notion that "50 is the new 40" or "60 is the new 50" strikes me as somewhat ridiculous and misleading. 40 is still 40. 50 is still 50. But 60 is not what it used to be. Neither is 70, or 80 or even 90. And that is what we all need to plan for.