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### Considering Leisure Hours in Retirement Planning

*Participants must consider how they will spend down retirement assets, and converting their saved sum into projected “leisure hours” is an effective way to get the conversation going.*

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By John Manganaro

A new Merrill Lynch survey conducted in partnership with Age Wave finds that the Baby Boomer generation has saved an amount of wealth equivalent to 2.5 trillion hours of anticipated leisure time, all to be cashed in over the next two decades.

Giving context to the survey findings, Merrill Lynch says it’s more important than ever for anyone working with retirees and pre-retirees to start instilling the message that accumulated assets are only half the story when it comes to retirement planning. One also has to consider how he or she will spend down those assets, and converting their saved sum into projected “leisure hours” is an effective way to get the conversation going.

Such questions grow in importance every day, Merrill Lynch explains, especially given that 2016 is “the first time in the U.S. that more people are in the ‘time affluent’ stage of their life than the ‘time constrained’ stage. This leisure boom will have an unprecedented impact on individual lifestyles, families, and leisure marketplaces.”

According to the survey, the vast majority (92%) of current retirees say retirement “provides them greater freedom and flexibility to do what they want, regardless of how much money they have.” At the same time, eighty-eight percent of retirees say retirement is “a time for new beginnings,” and 95% say they would prefer to “have more enjoyable experiences rather than buy more things.”

The research matches recent commentary from a variety of industry sources, arguing that retirement planning takes more than financial thinking. It takes a life vision and a sense of purpose for living meaningfully after work ends—an equation that often favors proximity to loved ones and an ongoing sense of connection to the community. For example, 85% of survey respondents say that retirement has “allowed them more time to connect with family and friends,” leading to a happier retirement overall.

Unfortunately, Merrill Lynch says, few retirees have thought deeply about how they will spend their remaining time in retirement, with 53% “having hardly planned at all.” This significantly increases the chance that one will come to regret current spending patterns later in life, or worse, the chance that one will run out of money entirely in retirement.

## **NEXT: Getting participants to think in terms of leisure hours**

While less than half of retirees say they have a clear sense of how much leisure time they effectively own—or how they would like to spend this time—Merrill Lynch says it's a safe bet that a ballooning retiree population will soon start driving a genuine “leisure boom.” As such, the travel economy is “about to diversify and multiply, culminating into an estimated \$4.6 trillion of spending over the next 20 years,” according to the firm. The movement of this money will also challenge investment providers and banks, among numerous other anticipated economic effects.

“Given the opportunities that come with more leisure time to be enjoyed in new and different ways, America is heading toward a happiness dividend,” adds Andy Sieg, head of Global Wealth and Retirement Solutions for Bank of America Merrill Lynch. “The expansion and evolution of retirement leisure will create growing economy of new industries, products and services.”

Survey results show the vast majority of pre-retirees view free time as “precious” and “scarce,” but 79% of retirees say they now “have the amount of free time they have always desired,” in addition to “having more freedom, more fun, new beginnings and greater emotional well-being than at any other point in their lives.” Not a surprise, this leads in turn to significant improvements to emotional wellbeing: “The study found that emotional well-being peaks in retirement. Feelings of happiness, contentment, confidence, relaxation all soar, while anxiety decreases significantly.”

“Of all the life stages, our study revealed that the pinnacle of freedom occurs between the ages of 61 and 75 when retirees enjoy the greatest balance of health, free time, fun and emotional well-being—what we call the ‘freedom zone.’ With longer more vital lives, retirees have the opportunity to use their newfound freedoms and flexibility for personally meaningful experiences,” adds Ken Dychtwald, founder and CEO of Age Wave. “We hope these insights help Americans become more optimistic about retirement while inspiring them to plan ahead and use their later years to their fullest potential.”

According to the study findings, people value their relationships in retirement more than at any other point in their lives. When it comes to leisure experiences, 61% of retirees say “who you're with” is more important than “what you do,” while 79% of respondents age 65 and older say it is important to stay connected with friends, more than any other age group.

## **NEXT: Preparing for leisure in retirement**

Practically speaking, it will be tough for most pre-retirees to start actually planning for how they will spend leisure time in retirement, so the study findings are meant to be symbolic, getting people to think not just about retirement saving, but retirement spending as well. Even so, Merrill Lynch suggests there is a basic framework people can think about to help them make smarter investment and planning decisions given their own life goals.

“The study uncovered two types of leisure experiences to prepare for that are ‘everyday leisure,’ the activities people do on a regular basis, and the rarer ‘special occasion leisure,’ the stand-out

moments such as a vacation or milestone,” the firm explains. “Retirees want a balance of both and seek different elements from each. While they are primarily focused on staying healthy and relaxing in their everyday leisure, retirees are striving for peak experiences and adventure in their special occasion leisure.”

Keeping this in mind, Merrill Lynch urges pre-retirees, especially those closest to the projected retirement date, to start formulating a top-line number for how much money they will need to fund leisure activities—and how they would like to balance the themes of everyday leisure with big-ticket items. It won’t be an exact science, but as it stands, two-thirds of retirees “have not discussed and agreed with their spouse or partner how much money to spend on leisure in retirement.”

“While retirees dream and save for that trip of a lifetime, when they return, they are often left wondering ‘How will I spend the next 50 weeks of the year? How about the next 20 years of retirement?’” concludes Lorna Sabbia, head of retirement and personal wealth solutions for Bank of America Merrill Lynch. “Whether it is researching a volunteer organization or signing up for classes at a local college, our research shows that leisure in retirement can be more fulfilling when people take the time to plan and prepare.”

Additional findings from the survey are presented here: [Leisure in Retirement: Beyond the Bucket List](#).

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