

How to Plan for Spending During Your Retirement

■ How to spend your leisure time in retirement is a huge question, and answering it will take planning.

Eric Reed May 21, 2016 11:40 AM EDT



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How will you spend your retirement?

It sounds like almost a silly question while being anything but. When people start to think in detail about how they'll fill the hours after 65, the vague conceptions of "relaxing" and "fishing" start to fade away. They're simply insufficient to cover what is increasingly becoming an idle third of many people's lives, an energetic and healthy third at that. Retirement isn't about enjoying a few good years anymore. **These days it's a new way of life.**

And it's yet another one that the Baby Boomers are remaking. With their demographic wall approaching seniority, America will soon have to rethink how we consume and deliver leisure services to the millions of people who no longer have to work. Demand is about to skyrocket.

What does that mean for you? It's time to start planning what you want to do with those years. There's going to be a lot of competition for that tee time.

According to a new study put out by Merrill Lynch, Baby Boomer retirements are about to unleash 2.5 trillion hours of free time on the economy. Those are consumable hours that demand to be filled, whether it's with books and movies or part-time jobs and renewed education. It is, according to the study, the first time in U.S. history that more people will be "time affluent" than "time constrained."

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Fewer than half of them have made any plans for that time. That could be a mistake because, it turns out, when it comes to enjoying all that free time the first thing to do is fill it.

"This idea of what happens when people go from working to having free time," said Ken Dychtwald, CEO of Age Wave and one of the partners in this study. "The first thing we wondered was, 'Is this going to cause people to be disappointed, to be sad? Is this going to rob people of who they are?'"

What they found, he said, is that it does take people a couple of years to leave their working selves behind. New retirees complain of boredom, and a sense of guilt for not using their leisure time productively, one which fades over time.

The key to fighting that off is to have a plan. **Intermittent trips or vacations are one thing**, said Dychtwald, but those are short term solutions. Retirees need a sense of purpose that lasts beyond the fun.

"It's going to be library programs," he said. "It's going to be people wanting to be in a theater group, it's going to be college campuses coming alive, it's going to be virtual reality One of the more startling quotes was 95% of people want more experiences. Very few want more things at this stage in their life, so you're going to see an experiential economy come alive."

How to prepare?

In many ways this advancing block of leisure time can be seen as a second career, so take stock of yourself the same way you did the first time around. What do you like, what do you love? What do you hate?

What can you see yourself doing at 2 p.m. on a gray Tuesday with a smile on your face?

In the years leading up to retirement, Merrill Lynch found, many people do begin to consider their retirement, but often in the wrong context. Nearly half look forward to leisure time with a sense of escape or recharging their batteries. There's nothing wrong with that; after 40 years of punching the clock we'll all look forward to finally hitting the snooze button on a Monday, but think about that time productively as well.

But this time, you're not producing for someone else. What do you want to do for you?

Then realize that this has to involve a budget.

It's interesting, said Lorna Sabbia, head of retirement with Merrill Lynch, how few people **actually build their leisure time and life goals into their retirement planning.**

"We've done a lot of work around understanding a goals-based approach to how folks approach their finances on topics just like this," she said. "What we found in this study is two-thirds of retirees haven't spent time budgeting as it relates to leisure and travel in their retirement."

"Very, very few people," agreed Dychtwald, "have thought about how they're going to fund their dreams."

This is why advanced planning is important, not just for how you'll pay the rent in retirement, but for the big-picture dreams. People in mid-career who have that itch for going back to school or circumnavigating the globe should sit down and start to have a serious conversation, first with themselves and then with their financial advisors. That might be a real adventure up ahead, but it's going to cost money.

Getting that second degree might be an amazing way to start off your retirement, and could open doors into your 70s, 80s and beyond, but it means having the money to pay tuition all over again. After all, if you thought student loans were bad the first time around, just imagine how they'd look cutting into a social security check.

People who are considering a new career should also begin to consider their skill development.

That sense of purpose can certainly be replicated in retirement, and indeed, Merrill Lynch found that as many as a quarter of retirees intend to continue working in some capacity. Many (72%, to be exact) will want to try new things.

Which is great but a new job involves new skills. While time is often precious in the late-stage of a career, it might help to start considering what skills you want to develop before you launch that second act. Future artists might want to begin dabbling in a few classes, or entrepreneurs could attend lectures at the local business school. Those bound for the Peace Corps (a **surprisingly popular** option these days) can study a foreign language.

After retirement comes a bold new world. A little planning can help you make the most of it.