Retirees like to give, but not until it hurts

With $8 trillion in donations of money and time on the line, they need to be smart about their generosity

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Retirees are living longer, and they may be living happier, too. One reason why may be because many are focusing their time, energy and money on helping others rather than treating themselves. But while that may give them a positive feeling, it could leave them with debt if they're not careful.

Giving makes retirees feel good, with 76% saying it makes them happier than spending money on themselves, according to a new survey from Merrill Lynch and Age Wave, a firm specializing in research on population aging. And while retirees represent only 31% of U.S. adults 25 and older, they give 42% of the dollars contributed to charity and put in 45% of total volunteer hours.

"We don't often think of retirement as a time for giving," says Ken Dychtwald, president and CEO of Age Wave, "but two-thirds of those in our study said this is the best time in life to give back. We think that's a sea change."

Fifty-nine percent of those who give to charity say they have a stronger sense of purpose, the poll of more than 3,600 respondents found. The largesse of a growing senior population will result in that group contributing an estimated $8 trillion in money and time over the next two decades, Dychtwald says.

"Success in retirement and the goal for retirement is definitely not playing golf anymore or collecting seashells," says Buck Wiley III, private wealth adviser in the banking and investment group at Merrill Lynch. "We're seeing people wanting to make an impact, wanting to be generous, and I would say that generosity is much more hands on." ONE COUPLE MAKING A DIFFER-

ENCE Long before they retired from their jobs in management consulting, Deborah and Allan MacArthur were givers. They worked with United Way programs that enabled them to assist at-risk teens. And while in their 30s, they decided "if we had extra wealth, we intended to give it away, and work with those assets while still alive," Deborah MacArthur, 53, says. With donations, "a lot of it can go to overhead, and we despise that. ... We want our dollar to go to that child, or that person, and the only way to do that is to do it yourself."

After visiting Morocco, the couple became involved with a children's home there. They have now relocated to that country, and in addition to helping the home's residents go to school and find solid jobs, the couple have spent millions investing in an academy that they say is now the largest American school in North Africa.

Still, Allan MacArthur, 56, acknowledges that it takes planning to make sure you have enough left over to care for yourself after contributing to others. At one point, the couple's financial planners said, "If you keep giving it away, you're going to run out," he said. So the MacArthurs started a business, that along with its affiliate, provides consulting, training and recruits American-educated Mo- roccans for leadership positions back home.

"Whether they have pensions, defined benefits, whether they have 401(k)s, and IRAs and Social Security ... people do need a plan," says Wiley. "It's not something you can wing." GIVERS SHOULD BE CAUTIOUS SO THEY DON'T GO BROKE Bonnie Sewell, a certified financial planner based in Leesburg, Va., said in an email that "it's absolutely wonderful, helpful and essential we give to others, just not at the expense of our own solvency."

Money can "slip out the door" in myriad ways, she says, from tacking a donation on to a restaurant check to buying a ticket to a pricey gala, or even plopping cash into Santa's bucket at Christmastime.

"Clients should calculate all that goes out and give joyfully with intention and then do not take the bait to feel badly if you cannot give more," Sewell says. "Time is a very valuable resource, too, and can be given in place of dollars where appropriate."

Grant Moore, a certified financial planner based in Rockford, Ill., said in an email that some retirees might want to consider a donor-advised fund for assets that have appreciated considerably in value. "Not only will they get the normal itemized deduction for their charitable donation, but the capital gains associated with that asset will also go away."

But it's also wise to be extra cautious during that initial period after you've stopped working. "Retirees need to ensure that they will not end up going broke later in life by being too generous to charities during their key early retirement years," he says.