

# Benefits and Pensions monitor

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## 20 YEARS OF INDUSTRY CHANGE

*A Special Anniversary Report*

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# 20 YEARS OF INDUSTRY CHANGE

## Retirement Planning:

### Is Retirement Getting Better or Worse?

By: Ken Dychtwald

Exactly 10 years ago, in 2001, Age Wave, in partnership with SunAmerica Financial Group and Harris Interactive, conducted the 'Re-Visioning Retirement Study.' This groundbreaking investigation was the first to look beyond basic financial and demographic issues to reveal the emotions, attitudes, expectations, and behaviours of pre-retirees and retirees. The study revealed that the majority of Americans thought they'd be able to comfortably retire in their early to mid-60s. And, thanks to a lifetime of savings, guaranteed company pensions, and rock solid government entitlements, most thought they'd be able to afford decades of non-working leisure.

Then things changed ... dramatically. Rocked by events and reactions associated with 9/11 and then the recession, the stock market showed virtually no net gain during the last 10 years and many people saving for retirement suffered losses in both investments and home values. Unemployment rates are now hovering near 10 per cent, making it difficult for many to get by, let alone save for retirement. And the government is running a \$1.3 trillion deficit, putting into question the sustainability of retirement entitlements such as Social Security and Medicare. At the same time, the massive baby boomer generation has begun moving into their retirement years. This vast generation brings both new expectations and hopes for retirement, as well as lower savings rates and greater uncertainty for how they will fund their increasingly long lives.

#### The Wake-Up Call

To find out how all of the changes of this past decade have impacted the public, Age Wave, SunAmerica, and Harris Interactive again joined forces to conduct 'The SunAmerica Retirement Re-Set Study,' (for a complete study report, visit [www.retirementreset.com](http://www.retirementreset.com)).

The 2011 survey of men and women aged 55 and over revealed that while many were shaken up over this past decade, they are emerging wiser, more disciplined, and with a new, more pragmatic approach to an entirely new kind of retirement.

It found 78 per cent of the respondents said that

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they can still have a fulfilling retirement by being more financially disciplined. In fact, most believe they can still 'get there from here' – although, for many, 'there' is now envisioned more realistically. For example, in one of our focus groups, a pre-retiree said that before the recession he was hoping that in his retirement, he'd get to play all great golf courses in Europe. Now, he said, he'd be quite satisfied to play all great public courses in New Jersey!

When we asked the survey participants if they'd like to live to 100, a whopping 67 per cent said yes! But longevity has its potential problems. Their biggest worries about living a very long life were:

- ▶ losing their health
- ▶ being a burden on their family
- ▶ running out of money

On the other hand, they viewed the key benefits of extended longevity as:

- ▶ continuing to remain productive
- ▶ developing deeper relationships with their family
- ▶ the chance to be around to witness new discoveries and watch the world evolve

What the pre-retirees in the study told us is that if you're going to wind up living to 80, 90, or even 100, it would probably be wise to work longer. Whether driven by financial practicality or a desire to live a more engaged and productive life, 77 per cent of pre-retirees say they would ideally like to include some work in their retirement. And when we point-blank asked what the primary reason would be, the number one response was the stimulation and satisfaction that continued work offers. Money was also important, but it ranked second.

People increasingly recognize that new economic realities and new retirement dreams mean new financial solutions are needed. People have become far more cautious and now say that protection from losses is the top priority for retirement investments. And what did these 55 plus men and women say was their biggest financial worry at this stage in their lives, it was the unpredictability of tax increases downstream.

One of the interesting insights that emerged from the study had to do with asking retirees from all walks of life if they had retired earlier or later than they had planned. While nine per cent reported that they had retired later, more than five times as many (49 per cent) said that they had retired earlier than they had planned. While it's natural to think that early retirement is most likely a sign of financial success, it's not anymore. The top reason people give for early retirement is unexpected health problems.

Many people now recognize that



retirement preparation is not a do-it-yourself project and that they need guidance to set a new, more predictable path toward successful retirement. Many now strongly feel that financial education should be a lifelong process, with 92 per cent saying that financial management should even be a standard part of high school education.

And yesterday's version of the fast-talking stock broker is passé. Today, people want a financial advisor who listens and understands what is important to them. They're seeking a trustworthy advisor who speaks their language and can help them identify solutions that are specific to their needs and priorities.

### **Is Retirement Getting Better Or Worse?**

We asked all 1,000 of our pre-retirees and retirees whether they thought that retirement would be better or worse for the boomers. And the answer we heard was 'it will be both.' People said that boomers will have less government entitlements, less money, and less respect from younger generations (which probably won't bode well for their receipt of intergenerational entitlements). On the other hand, they believed that in this new era of retirement, compared to previous generations, boomers will be more active and youthful, more likely to continue to learn and grow in maturity, and that they'd ultimately be living more interesting lives.

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