Generational Advisor

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The Takeaway

Tossing Out the Retirement Clock


Reversing a century-long trend toward earlier retirements, Americans in the workforce today say they will need to postpone their retirement 4.2 years on average, says "Retirement at the Tipping Point," a new study published by Age Wave, the firm founded by age-wave guru Ken Dychtwald. The fears and uncertainties unleashed by the recent financial turmoil are largely responsible for the dramatic shift.

More than 60% of all Boomers and members of the Silent Generation say they have lost money in mutual funds, 401(k) plans or the stock market in the past year, and they estimate it will take them years to recover. Those losses have accentuated long-held financial worries: 46% of Americans 55 years and older fret about medical expenses not covered by insurance. Another 23% fear they may outlive their money. Illness is a potentially devastating wild card that people do not feel they can control, the study notes. Working longer allows Americans to earn and save more, and reduces the number of years of retirement they must finance.

The report describes the shift in retirement-timing expectations as "resetting the retirement clock." We agree that the change in thinking is momentous, and we concur with the other findings in the study, which ratifies much of our own research and commentary. But our take is that "retirement" is no longer an event with a specific start date. It is a life stage where working for an income may or may not be important.

The Age Wave survey found that only 30% of Americans envisioned retirement as a shift from full-time work to never working for pay again. Forty-three percent saw themselves as "going back and forth between periods of work and periods of leisure," while 22% expected to work part-time. Five percent anticipated continuing to work full time.

Bottom line: "Retirement" increasingly represents a phase of life in which people down-shift their work-life balance from more work to less, not a one-time event.

What it means for financial advisors. If Boomers are radically redefining retirement, financial advisors had better radically define their financial advice. They should start by tossing out any retirement calculator that sets a specific age as a retirement goal and fails to consider the income a client might generate working episodically or part time. As for that old sign post of retirement, enrolling in Social Security, advisors and their clients should treat it simply as the tactical financial decision that it has become.

Takeaway

Know: Seven out of ten Americans foresee themselves either working full-time, working part-time or jumping back and forth between periods of work and leisure when they retire, according to Age Wave's new study, "Retirement at the Tipping Point." For Boomers, "retirement" is not a one-time event. It is a phase of life.

Do: Throw out the retirement-calculator mentality. Ask your clients how they see their retirement years unfolding. Do they aspire to quit work outright, or do they prefer merely to tilt the work-leisure life balance a notch or two towards leisure? The longer your clients work, and the longer they delay enrolling in Social Security, the more secure their retirement will be.