Redefining Retirement

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Making realistic plans for your next stage of life

Like many boomers, Yves and Marianne* have recently been thinking about retirement. Next year Yves turns 60 with a full pension from his job as a manufacturing executive. Marianne has run a successful retail business and has received an offer to sell.

Financial security isn't likely to be an issue and on the surface, Yves and Marianne appear ready to retire. It seems all that's left is a financial plan that will help them make their money work for their life goals. And that's the issue: they have a clear picture of what they are retiring FROM, but are less clear on what they are retiring TO.

The challenge is that they aren't even sure if they want to retire. Neither of them likes the concept of withdrawing from active work and aren't sure how long they could go without doing something to keep them engaged.

Redefining retirement

The concept of retirement has traditionally meant "not working". A significant number of boomers may continue to work in some manner well into their 60s. Many are treating retirement as more of a transition, as a beginning. That will influence how clients and their advisors plan for the future, looking at personal priorities as a bridge to financial decisions. Many boomers thought retirement was only about financial planning. Since they're not even certain they'll retire in the traditional sense, they want to take a fresh look at what they're actually planning for.

Changing the planning process

A typical plan used to centre on accumulating money. Now, many boomers are entering the transition without a clear picture of what their future might look like and enlightened financial advisors are spending more time helping them clarify their vision for the future first. This starts with gaining an understanding of the basic life issues that will face their clients regardless of whether work is involved or not: advisors help clients understand the financial implications of their life decisions.

Visualizing the transition

Yves and Marianne were due to meet with their advisor for their annual review. Recognizing they were struggling with the retirement decision and needed a catalyst to get them thinking, the advisor emailed them the self-administered ScotiaMcLeod Retirement Readiness Assessment tool they each completed in less than 15 minutes.

In their meeting, they were able to review the Transition Profile that the Readiness Assessment generated. They were pleased to find their advisor wanted to help them come to some conclusions about changes in their lifestyle that the tool had generated.

Based on their advisor's advice, Yves and Marianne completed the exercises in the ScotiaMcLeod Visualizer Workbook and reviewed the seven components of a successful retirement:

1. **Do you have a clear view of what you want your life to look like?** While it is impossible to anticipate everything, it's important to clarify exactly how you envision your life.
2. **Are you paying attention to the principles of healthy aging?** You will naturally be faced with health challenges and issues. Your overall mental outlook is probably even more important than your physical health.

3. **Is your life full of sustaining and supportive relationships in both your family and your social circle?** A key to a happy life will be the quality of your relationships through good times and bad.
4. **Will work continue to be part of your picture?** Your transition is an opportunity to do things that make you feel good. Work may well play a key part.
5. **Do you have a balanced approach to leisure?** Activities can range from spectator appreciation to solitary contemplation. Variety will be important.
6. **Have you considered the changes that might affect where you live?** You may want to relocate closer to family or to a retirement community in the sun. What changes might change to cause you to move?
7. **Have you created a sense of financial comfort?** Financial comfort means knowing what you have and that you aren't worried about what your money is doing. Are your changing life needs being met by your resources and does your financial plan reflect them?

Lifestyle implications for your financial plan

Once Yves and Marianne had looked at the seven components, they were in a better position to make decisions on whether to retire or not, and how. They have chosen to reassess where they are in their lives and what they really want. They have decided to look at all aspects of their life to ensure they share a common vision. Neither want to leave work completely but their priority will become finding ways they can balance leisure with workplace responsibilities.

For Yves, that will likely mean taking his retirement package, consulting with the same company and setting his own hours. Marianne has decided to hire a manager to run her business, but will keep a hand in the overall operation.

Both Yves and Marianne agree that their advisor has made financial planning a lot easier and fulfilling. They were planning for the wrong thing—life without work. Now they have a more realistic financial plan that reflects that they aren't retiring but merely readjusting the way they want to live their lives.

Barry La Valley is President of the Retirement Lifestyle Centre, a research and education organization focused on today's "new retirement". He works as a special life goal planning advisor to the Scotiabank Group.

*Yves and Marianne are pseudonyms representing a typical scenario.