



# Destination Retirement: Lessons Along the Journey

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For many people, transitioning into retirement is like stepping into a hot air balloon for the first time. Maybe they are excited about the views and potential of new perspectives. Maybe they are anxious about the clouds on the horizon. Maybe they are just along for the ride and plan to enjoy wherever the winds take them. Regardless of how they think they may react, the number of people they talked to about it, or how much planning or research they have done, they still do not know how they will feel when the basket lifts off the ground.

The uncertainty of retirement transitions offers an opportunity for financial services providers to position themselves as guides. Informed by an understanding of consumers' actions and outlooks, providers can ensure their effectiveness in messaging, planning, services, and resource deployment. Given the significance of the retirement transition period, the LIMRA Secure Retirement Institute (SRI) conducted a two-phase study (see About the Research) to learn more about pre-retirees' and recent retirees' journeys into retirement. This article highlights the key findings from our research.

## Retirement Means Freedom

Although everyone's journey into retirement is unique, it turns out their visions of retirement are similar. Among the top words that come to mind when recent retirees and pre-retirees think about retirement are freedom, relaxation, money, time, and travel (Figure 1). Both pre-retirees and retirees strongly associate retirement with freedom. After years of work, and in many cases, diligent saving and foregone luxuries, retirement represents the ultimate reward. For most, freedom in retirement means being able to do *what* they want, *when* they want. They can sleep in, skip the rush hour traffic, pursue their passions, or simply do nothing.

The desire for freedom also shapes other pre-retiree and recent retiree attitudes toward work in retirement. For instance, many people are willing to work in retirement, but want it to be on their own terms. Ninety percent of pre-retirees and 81 percent of recent retirees say they only want to work in retirement on their own terms (Figure 2).

Understanding how retirees and pre-retirees envision their retirement not only will inform their motivations

Figure 1

## Top Three Words Associated With Retirement



Based on 60 recent retirees and pre-retirees. Q: When you think of retirement, what are the top three words that come to mind?

Source: *The Journey Into Retirement* series, SRI, 2019.

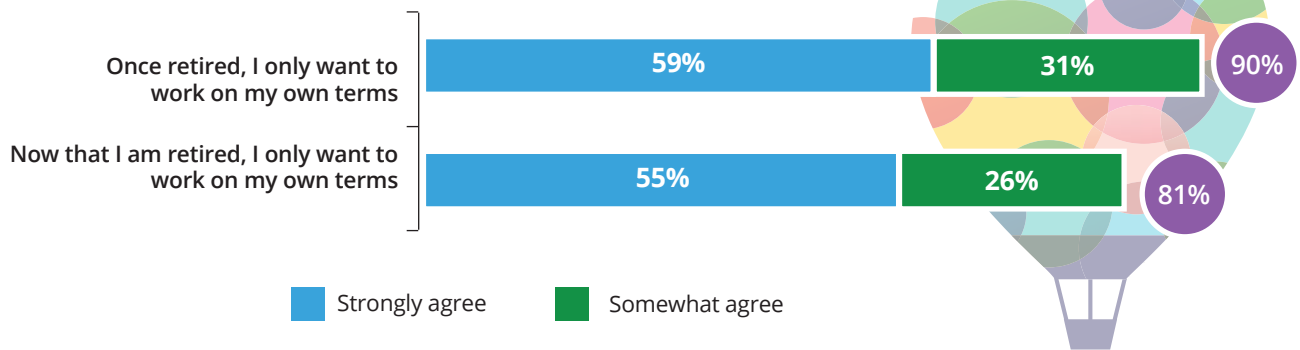
for retirement but also will help prepare them to achieve those goals. Consumers and their advisors need to calculate the financial impact of different lifestyle choices. However, since there is so much uncertainty concerning retirement, it is also wise to allow for potential changes of plans after retirement. Many near-retirees may be hesitant to make decisions (especially irreversible ones) until after they have a better handle on what retirement will mean for them and their lifestyle.

## Retirement May Still Include Work

Work and retirement are not mutually exclusive. One in five retirees currently work for pay, and a large minority (42 percent) of non-working retirees are considering returning to work at some point. However, the motivations for work before and after retirement are different. People are not working or planning to work in retirement out of a strong financial need, but rather to enhance their lives with intellectual engagement, money for

**Figure 2**

## Attitudes Toward Work in Retirement



Based on 995 recent retirees and pre-retirees.

Source: *The Journey Into Retirement* series, SRI, 2019.

discretionary spending, and a sense of purpose. Individuals who are more affluent also tend to be highly educated (nearly three quarters have at least a college degree) and work in careers that provide them with a sense of personal identity. Although they dislike the grind of working life, they also may find it difficult to leave their professional identities behind.

*Before I retired I really didn't know what to expect. All I wanted to do was get out of my job. That lasted eight months. I was so bored. Didn't make the adjustment very well. I was offered a very lucrative job and that lasted for 16 months. The company went bankrupt, but I was fortunate to have a great benefit package and never fully appreciated it until I met many other people who were less fortunate than me. That changed my perspective and I decided to spend part of my free time giving back to veterans. I will say the enjoyment is worthwhile. There are more important things than money.*

— Michael, 69-year-old retiree

Our study found that retirees working part-time in retirement spend less time on leisure activities and exercise than their non-working counterparts do. However,

they spend similar amounts of time as non-working recent retirees socializing, volunteering, and caregiving.

Despite being open to work in retirement, a smaller percentage of retirees work in retirement than the percentage of pre-retirees who expect to do so. This discrepancy could be a function of not wanting to go back to work so soon after retiring, being unable to find jobs that are as flexible as they want, or other obstacles. While pre-retirees and recent retirees express minimal concern about potential difficulties in finding work and keeping their skills up-to-date, they need to be prepared for these and other potential barriers. Issues such as age discrimination, employer preferences for hours, and compensation being lower than pre-retirement levels could hamper plans.

### Retirement Advice Wanted

*The unknown and getting older creates some anxiety that is not easy to resolve. With these thoughts sitting on my brain every day, and the state of our economy and various markets, at times I can't see the forest for the trees. It would be nice to have some financial and age-related experts to refer to, for insight into transitioning into retirement.*

— Donna, 61-year-old pre-retiree

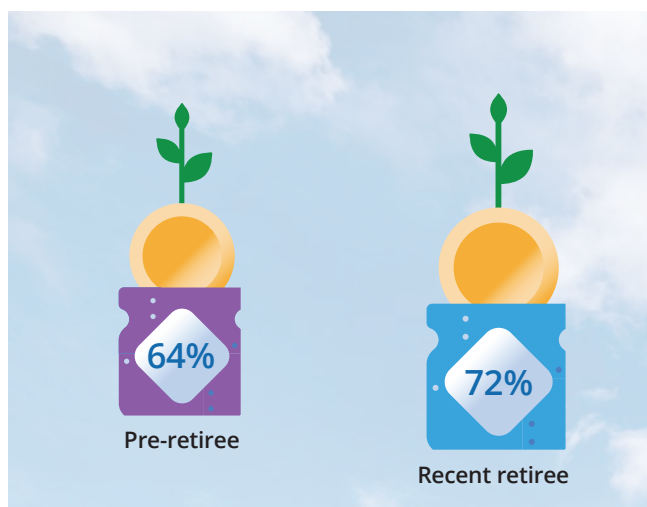
Many pre-retirees and retirees work with a financial professional, such as a financial advisor/planner or broker. In fact, nearly two thirds (64 percent) of consumers work with an advisor to make at least some household financial decisions. The fact that recent retirees are more likely than pre-retirees to work with advisors—70 percent versus 58 percent, respectively—suggests that some advisors are engaged during this crucial transition period. However, for the most part, these advisor relationships are of long duration; the average relationship tenure is 11 years, and half of pre-retirees and recent retirees have worked with their advisor for over a decade.

This need for and dependence on financial advice will likely grow in retirement. Even in the earliest stage of retirement, retirees are more likely than their pre-retiree counterparts to use advisors and have more of their assets managed by those advisors (Figure 3). Recent SRI research found 7 in 10 retirees with advisors prefer to delegate most of the investment decision making to them, and nearly 40 percent say they will rely more on their advisors as they age.<sup>1</sup>

**Figure 3**

### Average Percentage of Assets Managed by Advisors

*By retirement status*



*Based on 626 recent retirees and pre-retirees who work with an advisor.*

*Source: The Journey Into Retirement series, SRI, 2019.*

Pre-retirees with formal written retirement plans are more likely than other pre-retirees to feel very prepared for retirement.



This openness to assistance represents an opportunity for advisors not only to grow their book of business through asset consolidation, but also to apply strategies that improve the peace of mind and retirement security of those they serve. Clients often discover that their financial needs are more complex after transitioning into retirement and they want an advisor to handle their finances on a more holistic basis.

### Retirement Plans Help

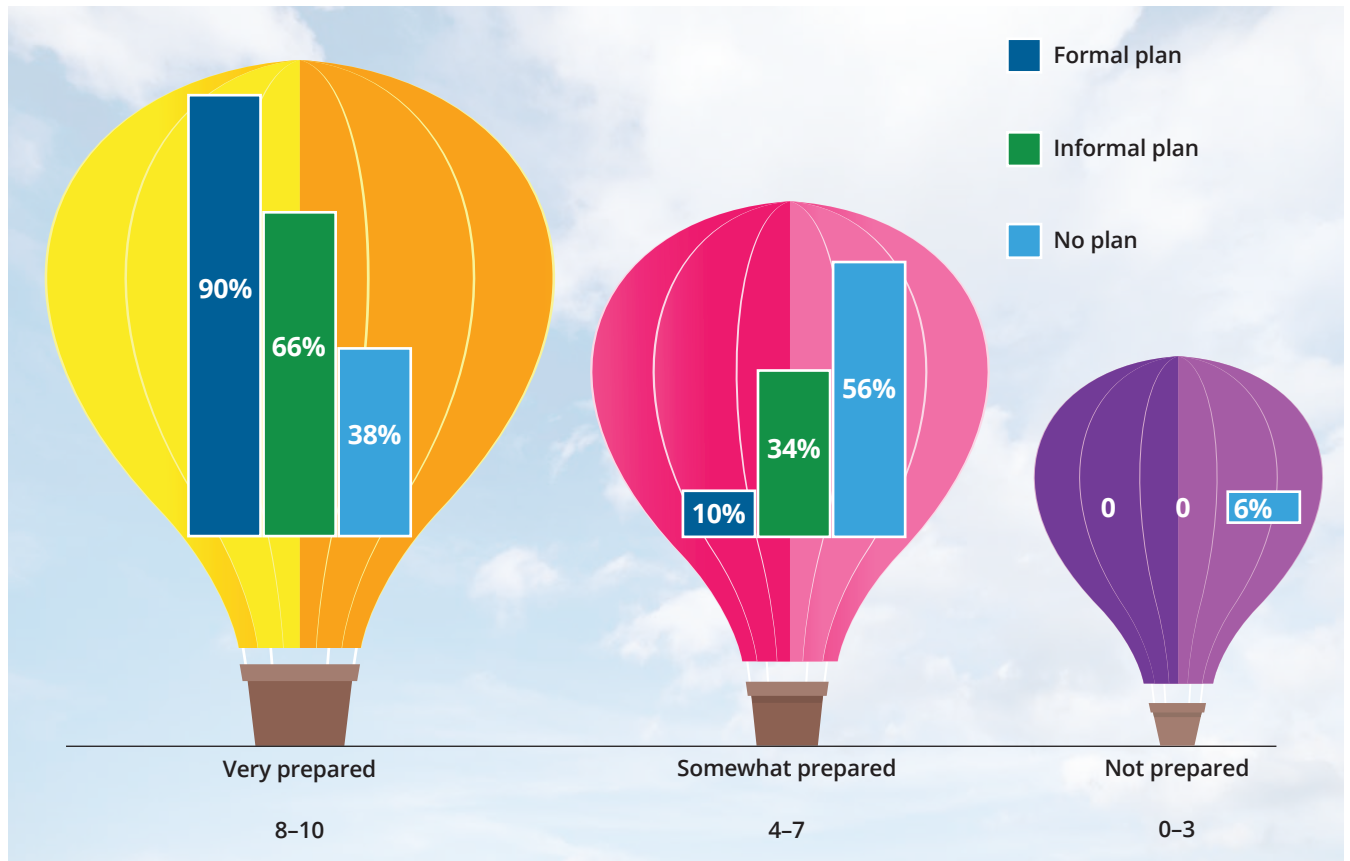
The benefits of creating formal written retirement plans are significant—yet these plans are not common. Formal retirement plans for managing income, assets, and expenses during retirement are linked with completing more planning activities. For instance, pre-retirees with formal retirement plans are more than twice as likely as those with informal plans to have specific plans for generating income from their savings (81 percent versus 38 percent). These plans also boost subjective retirement preparedness. Pre-retirees with formal written retirement plans are more likely than other pre-retirees to feel very prepared for retirement (90 percent versus 66 percent with an informal plan and 38 percent with no plan) (Figure 4).

Yet, even during this critical retirement transition period, only 33 percent of recent retirees and pre-retirees with an advisor have a formal written plan. The challenge for advisors and companies supporting them is to find efficient ways to provide comprehensive and effective

**Figure 4**

## Retirement Preparedness

*By retirement plan type*



Based on 995 recent retirees and pre-retirees.

Source: *The Journey Into Retirement series, SRI, 2019.*

plans. The payoff for advisor training, platform software development, and time spent collecting client information could be more assets under management, product purchases to implement plans, and greater retirement security for clients.

### Retirement Is Not Worry-Free

Health and well-being are top of mind for pre-retirees and retirees. They recognize the impact poor health and high healthcare costs can have on retirement and their

retirement prospects. Several respondents mention difficulties in caregiving for spouses as well as other relatives and the typically negative impact it had on their lifestyle.

*I have come to realize that no matter what your goals or ambitions are, if you don't have good health, you don't have anything. I have to motivate myself to maintain a good diet and increase my physical activities.*

— Michael, 69-year-old retiree

Interestingly, pre-retirees and retirees talk about being able to improve their health once they stop working, and frequently include exercise in descriptions of their typical as well as ideal days.

*I am much healthier and take better care of myself now that I am retired. I cook healthier meals since I am not pressed for time. I spend time at the gym or biking several times a week.*

— Margie, 60-year-old retiree

## About the Research

Results of this research are based on individuals aged 55 to 72, with \$100,000 or more in household financial assets. Pre-retirees include those who plan to retire within the next two years and retirees include those who retired no more than two years ago. For the qualitative phase, LIMRA and 20|20 Research conducted a three-day online bulletin board discussion with 60 pre-retirees and retirees in August 2018. The quantitative phase was fielded by 20|20 Research in November 2018 and included 995 pre-retirees and retirees. For more information on the Journey Into Retirement series, visit [www.limra.com/journey-into-retirement](http://www.limra.com/journey-into-retirement).



Since avoiding health issues completely is impossible, anticipating potential costs and saving for them is a positive step toward planning for the unexpected. Optimizing usage of health savings accounts (HSAs) could help with this goal. Prior SRI research found that only half of consumers are familiar with HSAs, so educating clients on the tax advantages and benefits of these accounts could increase their usage.<sup>2</sup>

Caregiving is both a pre- and post-retirement risk, especially for women. On average, compared with men, women spend more of their time in retirement caring for friends and family. These obligations can also play a role in their decision to retire. Advisors and plan providers should support clients during this difficult period to ease the potential financial and emotional burdens. It is also important to address this risk in the formal planning process.

Journeys can be scary, especially when the health and well-being of yourself—and those you love—hangs in the balance. However, having a retirement plan in place and resources to support you can mean the difference between floating on air and never getting off the ground. 🌐

<sup>1</sup> *The Differences They Make: An Advisor, an Annuity or a Formal Plan in a Retiree's Life*, LIMRA Secure Retirement Institute, 2018.

<sup>2</sup> *Health Savings Accounts: An Emerging Retirement Planning Strategy*, LIMRA Secure Retirement Institute, 2018.



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variety of retirement-related topics. Her most recent work focuses on the timing of and transition into retirement. Prior to joining LIMRA in 2007, Shiner was an assistant study director at the Center for Survey Research at the University of Massachusetts Boston. She received an M.A. in applied sociology from the University of Massachusetts Boston and a B.A. in sociology from the University of Massachusetts Amherst. She can be reached at [cshiner@limra.com](mailto:cshiner@limra.com).