



## Retirement in the 21<sup>st</sup> Century

It is an easy thing to say that retirement today is different than in our parent's generation. As a true, born in the middle of the baby boom-er, I grew up thinking that retirement is dad stopping going to work, spending A LOT more time at home than before, and mom & dad going on vacations more often. Certainly, there was more volunteering, more work helping the church, neighborhood, and other non-profit adventures. But what I didn't see much was *retirees* going on to do something that looked a lot like *work* but was not what the retirees were doing *before* retirement. That is one of the bigger changes I'm witnessing in the realm of *retirement* now vs. in the prior century, and that is - people don't stop working in retirement.

By "working" I mean the following:

- There is a time schedule associated with it
- There is human interaction all along the way in accomplishing it
- There is (sometimes material) compensation coming from it.

This last item is in my mind the biggest change in the concept of *retirement* - that there is sometimes *material* compensation coming from the work. By *material* I mean that it is more than just some insignificant stipend that you receive, though it is probably not as much as you received during your *primary* career, but it is enough to say that it is more like a real job's compensation. And it also turns out that this compensation is needed and is a part of your financial plan (more on that later).

What does this new work look like? It is different from the primary career that you had just stopped pursuing, which was probably more of a conventional-looking job. It probably is more *un-conventional*, meaning that it has some of the following characteristics:

*For more information, contact us at [www.kmrfinancial.com](http://www.kmrfinancial.com)*

1. A different type of time schedule (a *schedule* none-the-less, but not a typical 9 to 5-type). It probably is much more flexible than in your primary career, and your working-time can be on a more un-conventional time schedule;
2. A different career-path to it, meaning that it doesn't have the typical trajectory of small but important steps to climb on the proverbial career ladder, and may not have much of a path to it beyond just sustaining it;
3. A broader goal in mind, more of a "greater-good" feel to it, something that has some of the (as it is now known as) ESG orientation (environmental, social & governance);
4. And finally, works with a completely different set of people that one dealt with in the primary career.

Recent research shows that the fastest growing demographic for entrepreneurs is the over 55 age group. It's easy to find stories such as:

- A 65-year-old man left the IT industry to start a hair-design academy
- A 50-year-old leaving the corporate world to open an optical retail business
- A man and wife in their mid-50's started an online business helping other entrepreneurs
- Executives leaving their corporate careers to create a coaching practice
- A 60-year old started a bakery business without having any baking skills

Why is this happening? My thoughts on what is driving this trend are:

1. Retirement from our primary careers is happening earlier, for many reasons (we want to change and do something different, companies need to reduce costs and have younger, cheaper employees move into the jobs of longer tenured employees, etc.);
2. We realize that retirement is going to last a long time. For example, a 65-year-old has a 90% chance of living to 80 (a.k.a. 15 more years to live), and a 45% chance of living to 90 (25 more years);
3. A desire to use our productive time more *outward* facing vs. *inward* facing, meaning that we can use our time and abilities to help others & our environment vs. the focus we've had for most of our careers on providing for ourselves and our families for education and retirement needs, for example;
4. The thought of dramatically reducing our active-ness seems un-healthy, i.e. we all know that becoming sedate does not improve our health and could bring on illnesses and shorten lifespans;
5. We realize that to fund all the things we want to do in the next phase of our lives and realizing the fact that we may be around for a long time, we may not have enough resources in our retirement plan.

So the reality is that our goals change, we want to move into another phase of our lives to accomplish things we now value but haven't had the time to pursue them, and we realize that there is a lot of time left on our timeline but we may not have all the desired resources saved up to fund it nicely. What do you do about that?

Here are some things that I think are important to do to prepare for this time in your life:

*For more information, contact us at [www.kmrfinancial.com](http://www.kmrfinancial.com)*

1. **Get ready for this “next” career early.** Start thinking about what this phase will look like, and then start preparing for it. This includes such things as get designations needed to be successful in the next career, get training, gain experience in the new area, start expanding your network of contacts that will be helpful in this next career;
2. **If you don’t have a financial plan, get one.** A plan will lay out all the financial needs you expect and when that will happen. It will show how financial needs change, for example how our overhead costs change as we move from our primary to next careers, such as retirement savings, education funding, and other things that stop or are not as important later in life. A current financial plan will allow you to see if you can fund all the things that you want to do during your next phase in life, and if not, what is the “gap”.
3. **Be realistic in the income expectations for the next career.** Launching a new company, starting a new firm, changing your expertise are daunting and are fraught with risks. Be conservative in your planning assumptions and you will be delightfully surprised when you exceed your expectations.
4. If there is a gap, **be sure the “next” career can provide resources to make up the gap**, or at least lessen it substantially. And then plug this assumption back into your plan and see what impact it has.

I hold myself as an example of this phenomena. After 36 years in the corporate world, I left it but not to the conventional retirement experience. I had gotten my CERTIFIED FINANCIAL PLANNER™ license in 1997 and started managing money to prepare for the time that my primary career ended. I’m now the head of my own financial planning practice and pursuing it full-time.

With people living longer than ever before, and the vast amount of opportunities to spend time being helpful, feel more fulfilled, *and* to earn money, and the real possibility that we will need to provide for additional resources to live comfortably and succeed in your life goals, having a financial plan to help determine what you will need and to answer the question-**will we have enough?**- is critical to feeling secure about your time after the primary career has ended. And an up-to-date plan can be used to test different scenarios when you are evaluating what opportunities you should pursue in the post primary career phase.