

## The New “Retirementality” – Ending the Social Experiment

---

One of the first questions many people ask us is, “**When can I retire?**” While we are *grateful* that people are asking us this question *before* they have already retired (versus after and then subsequently wondering if they’ll run out of money), it is important to note that the concepts around retirement are fortunately shifting. Many people instead are asking, “**How can I live a longer and more satisfying life?**”



With deference to Mitch Anthony, who writes often about this topic, we agree that the idea of institutionalized retirement is nothing more than an Industrial Age social experiment that, for many, has run its course. Chancellor Otto von Bismarck in the 1880s in Germany mandated that the age for retirement was 70, while the average German worker didn’t live past 46. The legislation was imported to

the United States during the Great Depression as a lever to move older workers out and younger workers into the workplace. At the time (1935), the average worker lived to be 62.

More than a few of us have noted people retiring with some means but very little meaning. Is having \$2 million in the bank with nothing significant to do with your day a compelling vision for life? A recent Rand study noted the “diminishing law of returns on leisure” as a chief capstone of an emerging “un-retirement trend.” What the leisure/life propagandists failed to realize is that leisure seems to draw its merit and meaning from work. **What makes leisure fun is the fact that "You're not working at the moment."** Remove work, and leisure may become monotonous and boring.

Simply put, the reasons for working are not purely economic. In fact, studies show that the predominant reasons for meaningful work have more to do with social, intellectual, physical and personal challenge factors than with pay stubs.

However, we have to also recognize that a couple that “retires” now in the traditional sense at the traditional age now may **easily still have up to 30+ years to support their lifestyle from their portfolio.** New financial challenges enter the equation as well as emotional challenges.

So back to the question: **“How can I live a longer and more satisfying life?”**

The simple answer may be to work past the conventional retirement age that your Social Security statement dictates for both economic and health reasons.

- **Economic:** With such an expanded retirement time period to support, clients often need to consider choices that will improve the probability of success (POS) of their financial goal plan. These options typically involve some combination of choosing to work longer, deciding to spend less during retirement and/or electing to save more during their accumulation years. There’s only so many ways to make this math work shy of windfalls such as the lottery or an inheritance. It turns out that the first option of “work longer” may have significant health benefits as well.
- **Health:** A new study published in the *Journal of Epidemiology & Community Health* looked at the risk of dying for different groups of Americans and compared it to their retirement age. The researchers found that the likelihood of dying in any given year was **11% lower among people who delayed retirement for just one single year – from age 65 to age 66. By age 70, people who continued to work experienced a 38% lower risk of dying than people of the same age who had retired at age 65. By age 72, the risk was 44% lower.** These results seemed not to be affected by other variables such as gender, lifestyle, education, income or even occupation.

In the defense of our medical practitioners, we are not advocating that you are off the hook for eating well and exercising. Alas, you will still have to eat your vegetables and attend your yoga classes.

For many people, it's beneficial to work longer for both health AND financial reasons. Even if a person is able to retire early from their current profession and income level, many people now seek to downshift instead. By plugging into part-time work, they can cover some or all of their normal living expenses with normal cash flow. **There may no longer be a need to save money, and they can enhance the sustainability of their portfolio** with work that is new, interesting, flexible, rewarding or simply different. We have had clients who have gone back to school, have become teachers/coaches/mentors/nurses, worked in their previous profession (but with fewer and more flexible hours), volunteered for causes they were passionate about, and started new businesses - all while still happily chasing grandchildren.

At Pauley Financial, we discuss this new **"retirementality"** and actively engage with them by showing them how new/different ideas impact their plans. No three inch binders that sit around and collect dust are produced. Instead, our clients interact with their plan online, anytime. We believe the most effective goal planning is a dynamic, evolving process that adapts to our changing world and to our client's lives, values and dreams.

If you haven't seen the movie *The Intern* with Robert De Niro and Anne Hathaway, you might just find it a funnier way to hear a similar message.