

What's your retirement game plan?

The BMO Wealth Institute provides insights and strategies around wealth planning and financial decisions to better prepare you for a confident financial future.

Life is all about transitions, like graduation, starting a family, changing jobs, moving to a new home, raising a family, and eventually, retirement. While many of us successfully negotiate these transitions, retirement often poses the greatest challenge.

When an elite athlete retires from competition, it's often the result of a career-ending injury or being cut from the team.¹ Many have had long and distinguished careers. Hall-of-Fame baseball player Cal Ripken, Jr. played in a record 2,632 consecutive games and was a 19-time All-Star.² John Salley had a 15-year NBA career, winning four championships with three different teams.³ But the timing of Salley's retirement from basketball was not his decision.⁴

Ripken, Jr. and Salley enjoyed professional sports careers that were longer than most. The average professional baseball career is only 6 years long⁵ and NBA careers average only 4.8 years.⁶ Few retire on their own terms while still able to compete at the highest levels. Citing future health concerns, 24-year-old San Francisco 49ers linebacker Chris Borland quit after just one very successful season of professional football.⁷

While Ripkin, Jr. and Salley went on to build very successful business careers after they stopped playing, many others, like Borland, are not prepared for life after retirement from the game.⁸ Most have limited experience outside of professional sport to build on for the next chapter in their lives.

During an athletic career, almost all attention is focused on physical activity and development, nutrition, and the mental aspects of their sport, leaving little time to develop the social skills, self-esteem, resiliency and coping strategies needed to adapt to future lifestyle changes. A lack of transition planning and support services have been identified as significant contributors to the difficulty that many athletes experience transitioning to their next career after retirement.⁹

The issues that many elite or professional athletes face at the end of their sporting careers are actually no different from those the rest of us experience at our retirement – they just face these challenges much earlier. They often feel an initial sense of loss, followed by a period of re-orientation, then growth, and later, adaptation to their changed situation. Kareem Abdul-Jabbar, the all-time record scorer¹⁰ in the National Basketball Association, summed it up best – when he missed the first training camp after his retirement he thought, [What am I going to do now?](#)¹¹

The fact is that most of us (who are not professional athletes) have longer working careers and therefore have the luxury of more time to prepare for retirement – assuming that we start early, give it some thought, and save for it.

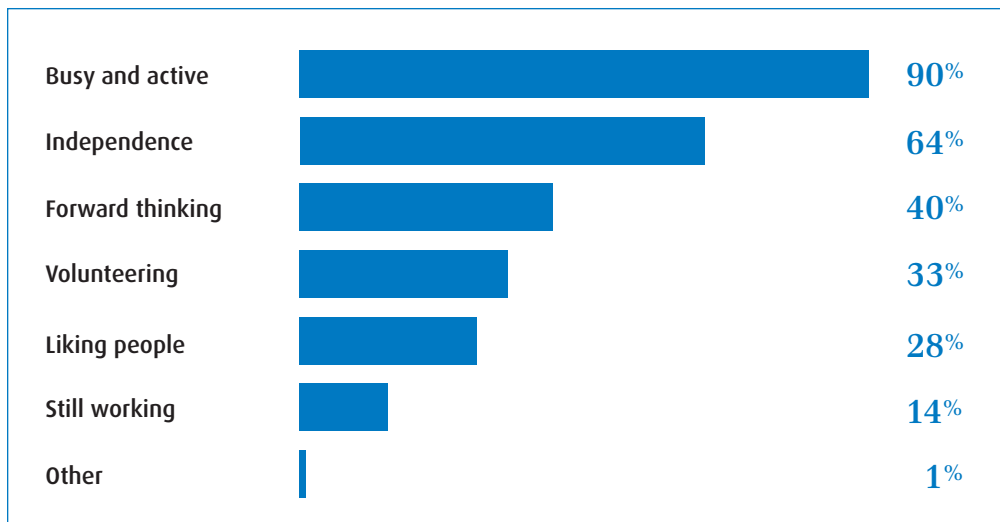
On retirement, there may be an **initial sense of loss, followed by a period of re-orientation, then growth, and later, adaptation to the changed situation.**

Why do we retire?

Life is about transitions, and like professional athletes, we go through many life transitions. These may include graduation, starting a family, changing jobs, moving to a new home, raising a family, and eventually, retirement. Retirement is really just another chapter in the story of our lives. We have successfully dealt with many transitions already, and retirement can simply be viewed as the opening of the next chapter.

The BMO Wealth Institute commissioned a study to look at the concerns, opinions and attitudes that Americans have about retirement.¹² When asked how much thought they put into the non-financial aspects of their retirement, 62% said they gave it at least some thought. They also felt that having a positive attitude or mindset towards being busy, active and independent are some of the most important factors found in satisfied retirees.

Attitudes or mindsets most likely found in satisfied retirees

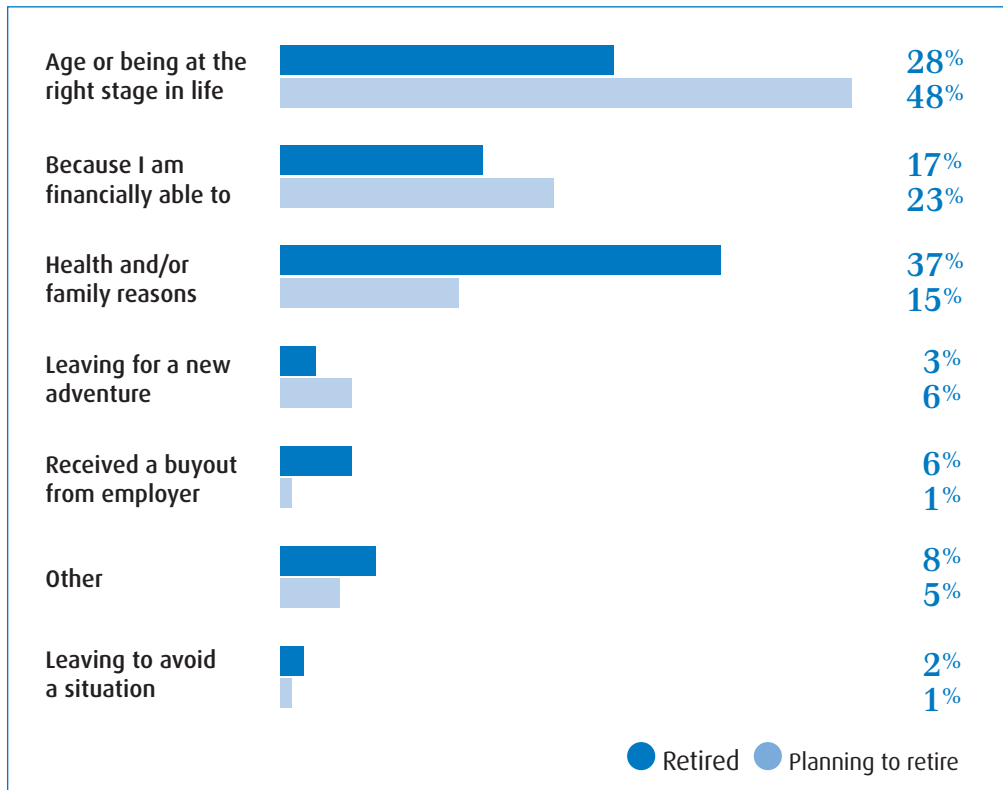


Source: BMO Wealth Institute survey by ValidateIt Technologies Inc., January 2016

There are many reasons why people move into retirement, but most respondents in this survey said they retired – or will be retiring – on their own terms. The study found that the most common reasons for retirement given by respondents overall were their age or being at the right stage of their life (39%), and being financially able to retire (20%). However, there are some notable differences in the reasons for retiring between the already retired and those still planning to retire. Unsurprisingly, health and family reasons ranked highest on the list for retirees (37%), above being financially able to retire (17%), and well above receiving a buyout from an employer (6%). In contrast, only 15% of those still planning to retire thought their health or family issues would be a factor.

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Main reasons for retirement based on retirement status



Source: BMO Wealth Institute survey by ValidateIt Technologies Inc., January 2016

These results amongst the retired are consistent with larger studies that indicate that health concerns and involuntary retirement as a result of layoffs are the two main factors associated with an earlier retirement.¹³

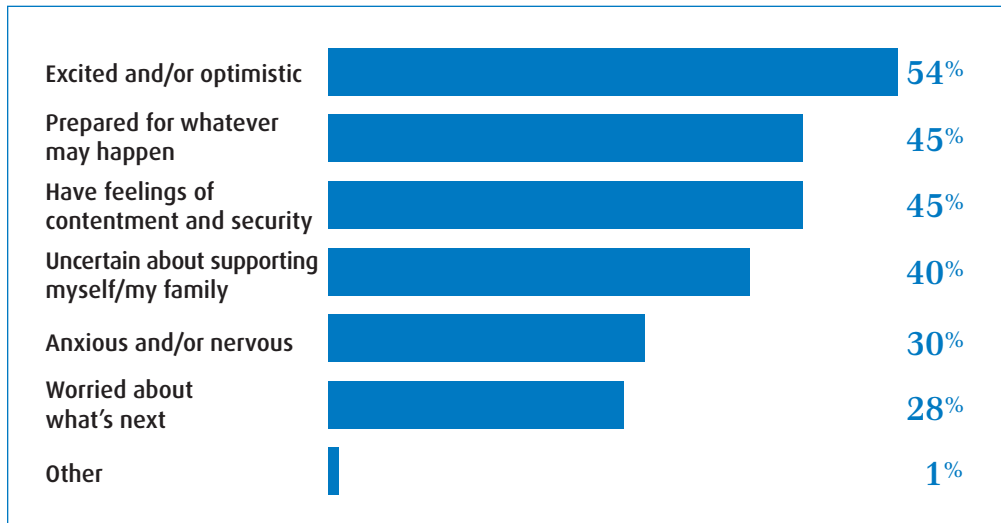
Be prepared for the possibility of an early or unplanned retirement date.

When do we retire?

The average age at which Americans retire has slowly increased over the last two decades. In 2013, a report from the Center for Retirement Research at Boston College indicated that retirement age averaged 63.9 years for men, and 61.9 years for women. This compares to only 62.4 years for men and 58.5 years for women back in 1993.¹⁴ The majority of respondents of the BMO survey who were already retired were between the ages of 55 and 64.

When asked how they felt about the life stage of retirement, the majority of respondents exhibited excitement and optimism (54%), preparedness (45%), and confidence with feelings of contentment and security (45%).

Feelings about the life stage of retirement

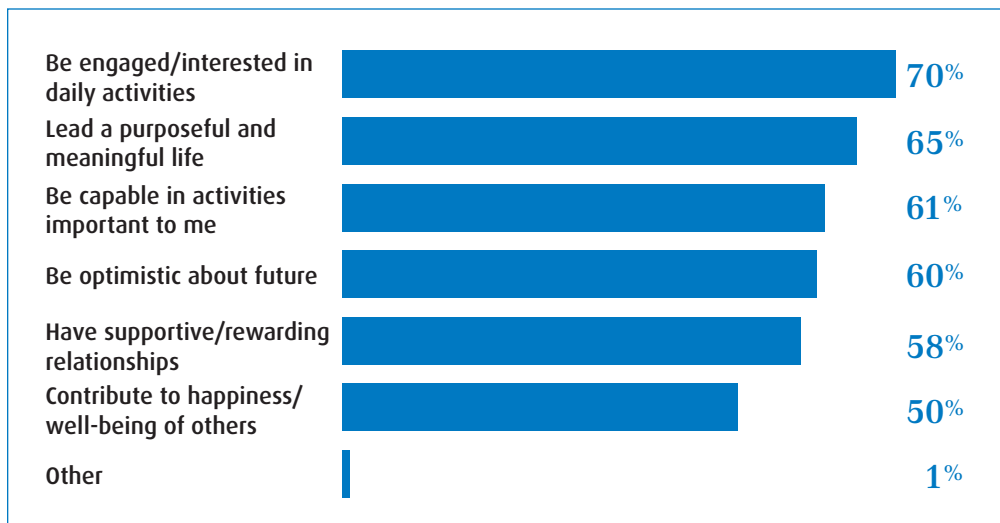


Source: BMO Wealth Institute survey by ValidateIt Technologies Inc., January 2016

How to retire successfully

Retirement is not an everlasting vacation, and is much more than just not going to work the following morning. Survey respondents were asked which personal attributes help with the transition into a successful and fulfilling retirement. Most picked being engaged or interested in daily activities as the most influential attribute (70%), followed by leading a purposeful and meaningful life (65%) and being **capable in activities important to me** (61%), indicating a belief by many in the importance of having a positive outlook toward the future.

Attributes that help retirees transition into retirement



Source: BMO Wealth Institute survey by ValidateIt Technologies Inc., January 2016

Building on the need for a positive attitude, [Dr. Amy S. D'Aprix, MSW, PhD, CSA](#), an internationally renowned expert on lifestyle issues related to aging, tells us that the three keys to a successful retirement are **purpose, people, and perspective**.

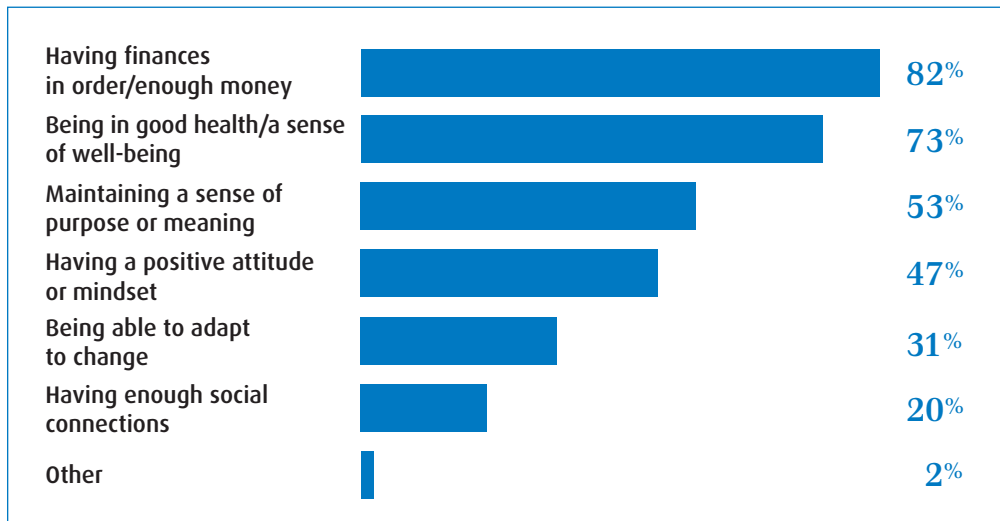
Purpose Having a sense of purpose is a key factor, and is best explained by that need or drive for something to get you out of bed in the morning. That purpose gives your life a sense of meaning. Your sense of purpose can be enhanced by assessing your life and focusing on what matters to you now, and what you excel in or thrive in doing.

People It's human nature to be social, and social support has many components; the most important of which are emotional or relating to companionship, and tangible (such as practical assistance with day-to-day needs). Many studies have found clear evidence that having positive and nourishing social interactions is linked to better health. Studies have also shown that strong social relationships have similar health and longevity benefits to well-known interventions like cutting out smoking, becoming physically active and eliminating obesity.¹⁵

The **three keys** to a successful retirement are **purpose, people, and perspective**.

Despite the research showing the importance of having strong social connections, the BMO survey indicates that few Americans acknowledge this critical factor. When respondents were asked to select the most important factor in adjusting to life in retirement, most picked having finances in order (82%) and being in good health (73%), followed by maintaining a sense of purpose or meaning (53%), and having a positive attitude or mindset (47%). The following table also shows that survey respondents listed having enough social connections (20%) below the ability to adapt to change (31%).

Factors that help with the adjustment to life in retirement



Source: BMO Wealth Institute survey by ValidateIt Technologies Inc., January 2016

According to Dr. D'Aprix, social support is key to aging well, both from a physical and mental standpoint. She also comments that:



It is so important to build social connections and make friendships as you grow and live your life. You have to deepen current relationships, and invest time and effort to make new ones.

Perspective is about having a good attitude towards your future. Having a belief that you can succeed, often referred to as self-efficacy, is very important. A positive perspective is an important factor in building resiliency in retirement.

Resilience is the ability to recover quickly from a difficult situation, and having the internal strength and toughness to rise above any challenges. Having confidence in oneself is an important contributor to resilience. In fact, confidence, when combined with financial learning, helps a person to make more informed and beneficial financial decisions¹⁶ that can contribute to a successful retirement regardless of the challenges faced.

Most Americans believe that **maintaining a sense of purpose or meaning** is an important factor in adjusting to life in retirement.

Social interaction is under-rated and is often overlooked or taken for granted. It should be a priority for all as far as retirement is concerned.

Dr. Amy S. D'Aprix MSW, PhD, CSA
BMO Life Transition Expert

The BMO survey revealed that the biggest challenges about living in retirement were running out of money (69%) and serious health problems (66%), followed by not having a sense of purpose (40%). When it comes to what to expect in retirement, the question [What is next?](#) is asked not only by elite athletes, but also by the majority of people entering this chapter in their lives. For many, Dr. D'Aprix believes, the best way to find the answer to this frequently asked question is to actively plan for this transition.

Going from strength to strength

Another secret to success for many retirees is leveraging the strengths and skills developed in their working years to contribute to an enjoyable and meaningful retirement. For many this will mean starting to plan for retirement and laying a foundation for success well before retirement occurs. Getting involved with volunteer work before retiring may require some trial and error to match your skills and interests, but can help set you up with a fulfilling volunteer role in retirement. However, as noted earlier, retirement will bring on new challenges – many health-related – and managing those challenges, remaining positive, and turning challenges into opportunities will foster a meaningful and successful retirement.



When Dr. Orel Friedman developed double vision at the age of 66 he was unable to continue his medical practice. Rather than slow down, he became even busier as a counselor, advocate, writer and speaker on geriatric care and patient rights, and as a consultant to geriatric care providers.¹⁷

One way to leverage the strength of past experiences is by focusing on the things that we can control – for example, what we plan to do in retirement. The survey results revealed that the majority of respondents (68%) would seek recreation or travel, and many would volunteer (45%), learn/educate (33%), work/consult (27%), or pursue their [bucket list](#) (32%). However, the results indicated some gender differences; most notably, that women are more likely to volunteer, and men are more likely to work or consult.

The [people most successful in transitioning] into retirement are those who give thought to the question 'What will I do after leaving work?' because planning in advance makes this transition easier.

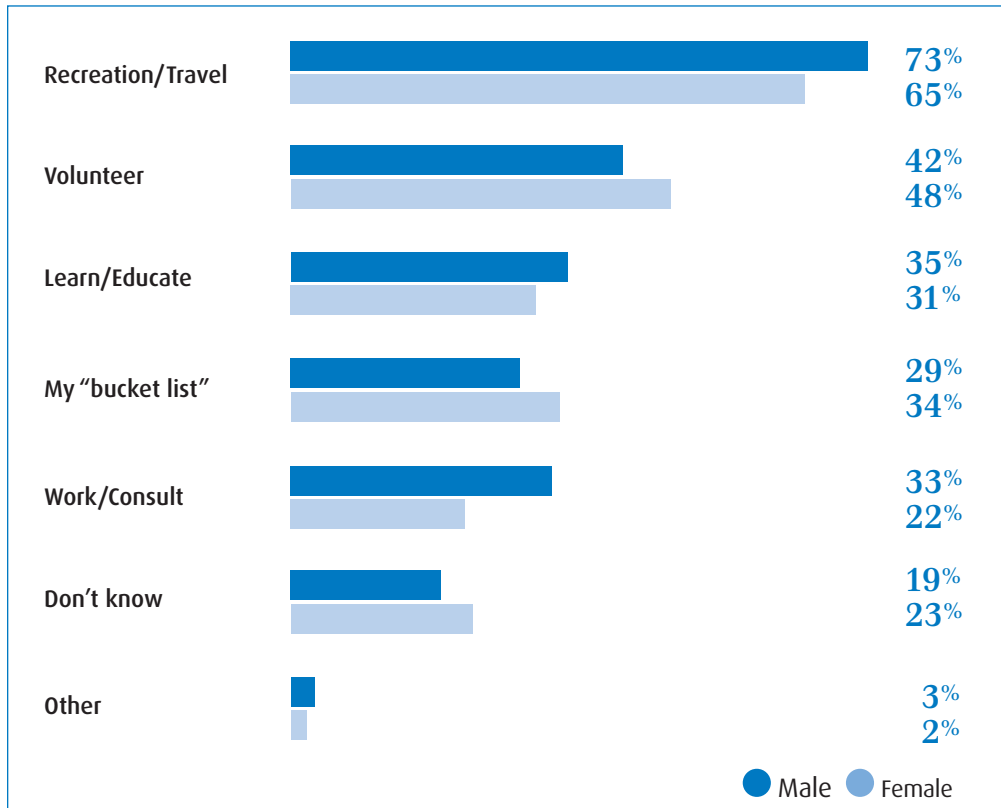
Dr. Amy S. D'Aprix MSW, PhD, CSA
BMO Life Transition Expert

A recently widowed retiree took up golf and became quite skilled, and would golf a few times a week. She was very active in her daughter and grandchildren's lives, and also spent a few winter months in Mexico, where she developed terrific friendships.

One couple identified numerous bucket list goals, and began to tackle them on retiring. They had so much fun challenging themselves to meet these goals and checking off their bucket list items.

Anonymous retirees

What do men and women plan to do in retirement?



Source: BMO Wealth Institute survey by Validatelt Technologies Inc., January 2016

Another area we can control is how we prepare financially for retirement. Yet putting the steps in place to achieve our retirement goals is not always easy. According to Harvard psychologist [Dan Gilbert](#) in his 2014 TED Talk:



We find it hard to imagine who we're going to be, and then we mistakenly think that because it's hard to imagine, it's not likely to happen.¹⁸

For some of us, this type of innate thinking may delay saving for the retirement that we envision. Gilbert also asks, [Why do we make decisions that our future selves so often regret?](#)

Have a game plan for your life transitions

Preparing for the next chapter in life requires both a game plan and resources to find the solutions that work. The United States Olympic Committee realizes the importance of preparing elite athletes for a future outside of sport. The USOC's Athlete Career and Education Program helps to address athletes' career and personal development needs.¹⁹

For you to successfully transition into retirement with confidence and the necessary resources, it's also important to put your **game plan** together. Time and attention should be invested so you can **Take Charge of Your Retirement**[®]. Your planning should help you to answer many of the most important questions, including:



- Who do you picture yourself with in retirement?
- What do you see yourself doing in retirement?
- Where do you plan on living when you retire?
- How will your health impact your retirement plans?

Some of these questions will not be easy to answer, but with the assistance and resources of a financial professional it will be possible to picture the details of your planned retirement. Financial preparation is a key component in making an effective transition to retirement. What would happen to your retirement plan if you became injured or critically ill and could not work full time, or at all? Dipping into your retirement savings could derail your retirement plans. Disability insurance can cover your basic household expenses, but consider purchasing a critical illness insurance policy to cover the extraordinary expenses you would undoubtedly incur during your recovery period from such injury or illness.

For a retirement plan to be robust, it is necessary to understand your cash flow requirements and to ensure that there are sufficient resources available to cover both day-to-day expenses and funding for larger goals. Longevity risk – the fear of outliving retirement income – is a key concern for retirees. Do I have enough money if I survive to age 95 or even 100? Individual Retirement Accounts (IRAs) offer flexibility, and income annuities can provide a fixed income for life.

For most Americans, pre-retirement investment strategies evolve, becoming more conservative as retirees seek higher potential returns from the market while keeping capital preservation top of mind. A financial professional can help you determine the right investment strategy and the appropriate investments for you. There are many actively managed and diversified portfolios to choose from. Your investments will likely be a combination of tax-advantaged retirement savings accounts or pensions, annuities, and regular investment accounts. Determining how to allocate your investments between these various types of accounts can help reduce your taxes and maximize the amount of income available for your retirement.*

For Americans with more sizeable assets, retirement raises concerns about estate preservation and management. How can I reduce my taxes now and maximize the legacy value of the estate that I pass on to my beneficiaries? Do I have a plan for keeping recreational property in the family? One strategy is to transfer some of your assets into a universal life policy. These assets, along with any investment income earned and death benefits, are passed onto your beneficiaries tax-free. It's a tax-efficient approach to preserving assets for the next generations or ensuring that they will have the cash to cover estate taxes.*

Have a **game plan** to successfully transition into retirement.

Retirement means different things to different people

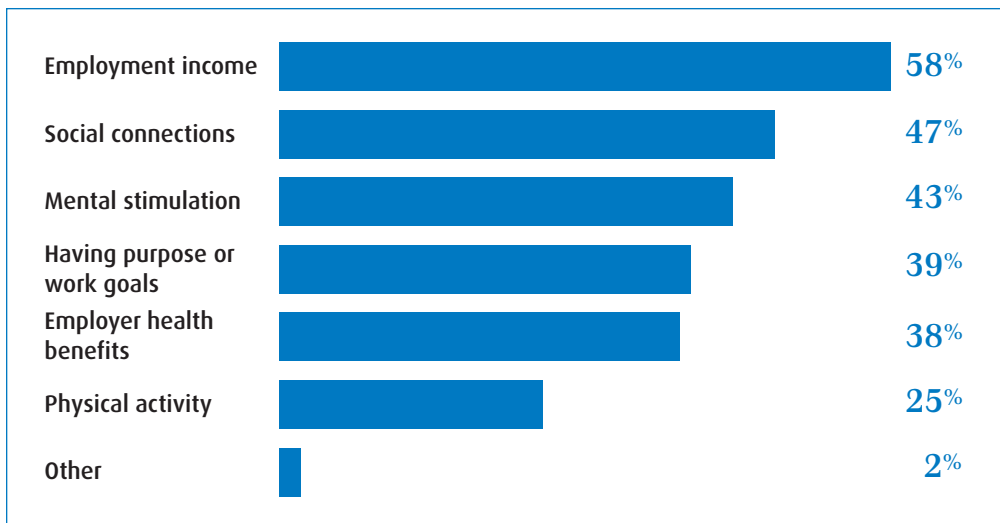
Not everyone looks at retirement the same way, especially those that are self-employed. **Activist investor Carl Icahn** was recently asked about the possibility of his own retirement in an interview. He replied:



What else would I do – play shuffleboard? ... As long as you keep thinking [you can make money].²⁰

Retirement can be seen as the next chapter in your life, or – in work terms – as your next role. It does not necessarily have to be the end of your working life. Working after exiting a career or continuing to work into retirement can also help to fill the financial void once retirement starts. The BMO survey identified employment income (58%), social connections (47%), and mental stimulation (43%) as the top aspects of working missed in retirement.

What will retirees miss most about their working life?



Source: BMO Wealth Institute survey by ValidateIt Technologies Inc., January 2016

Working after leaving a career role can help with the financial aspects of retirement, especially if there is room to continue saving to meet your financial goals in retirement. The development of a financial plan, with the assistance of your financial professional, can help you best decide how to plan for and meet your future financial needs.

**A new definition
for retirement –
the time when you
can do what you
want - when you want.**

Dr. Amy S. D'Aprix MSW, PhD, CSA
BMO Life Transition Expert

Freedom, or is it something else?

When asked what retirement meant to them, survey respondents had many answers. These included eligibility for an employer pension or Social Security (45%), resigning from a principal career (44%), permanently stopping working (32%), being a certain age (29%), and achieving financial independence (27%). Most notably, a large proportion of those asked (62%) also noted that retirement means **freedom** to them. The notion of freedom is even more prominent among the already retired, with more than two-thirds of respondents (70%) ranking it at number one.

Freedom is also about living life in retirement on your own terms. Richard Branson, the founder of Virgin Group, is now aged 65 and **can't retire because he doesn't regard his day job as actually working.**²¹

For most Americans, retirement means **freedom.**



It is important to discuss your situation with your financial professional, who can work with you and other professionals to help you plan a retirement that meets your individual goals. Move toward your financial goals to have confidence throughout your retirement by working together with your BMO financial professional.

Footnotes

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