

INTRODUCTION

RETIREMENT TODAY

Bonnie arrived at the meeting with her travel bags in tow. She'd just arrived from the airport, cellphone in hand and laptop tucked under her arm. She was looking forward to a few days off at the end of the week so she could spend some time with a few friends. But today she was chairing a committee for the Foundation's gala evening next month. Someone joked at the meeting about Bonnie being retired. One of the new board members looked up in surprise and commented, "Wow, you sure don't look retired!"

So, what does retirement look like in 2010? Certainly not what it used to. Life, as many say, used to be so simple. People retired at 65 and died by 70. This is because many had the mindset that when you became "old," you retired, or to be brutally literal, you were discarded from the workforce. The stereotype of a retired person was someone a bit slower, a bit out of date, or perhaps even dotty. It was a caricature of someone who'd withdrawn or retired from life, no longer an active, contributing person with unlimited time on his or her hands. We'd say, "Oh, she's retired now; I'm not sure she's up to it." Or, "Joe can help; he's got nothing to do since he's retired." Even worse, it was often assumed that being retired

meant being poor. “We can’t ask my aunt to give a donation; she’s a pensioner, you know.”

Partly through the insistence of aging baby boomers, these stereotypes are quickly disappearing. Many retirees are so busy with their lives that they find it difficult to fit another commitment into their schedule. Others are working again, at least part-time. Many speak proudly of being retired and then tell you about the wonderful plans they’ve lined up. You can’t pin your retired parents down because of their travel plans, golf games, and social commitments. Cruise ships have redesigned their programs to add more adventure-based activities such as trips to the South Pole, and “elder” tourist agencies offer off-the-beaten-track hiking and safaris.

On the other hand, most of us also know people in their 50s or 60s who sit at home staring at the walls because they were given early retirement and now don’t know what to do with their lives. They’re quietly ashamed that they were forced out of what they knew and loved to do at such a young age. These people don’t feel retired. They just feel like they no longer have a purpose. Like Ernest Hemingway (who wasn’t known for his optimism), they may be saying to themselves, “Retirement is the ugliest word in the language.” Others wanted to retire and “live the good life” but suddenly find they don’t have enough income to live on. They’re asking themselves, “Am I a failure just because I can’t retire at 55 but probably will have to continue working until I’m at least 60?”

We’re Just Living Longer and Better

Today, retirement is clearly a place without defined borders. With early retirement options and changing labour markets, there’s been a change from sudden retirement at 65 to retirement spanning 10 years. Some retire early, perhaps in

their 50s, or they retire and then take on another job. With the current economy, many now choose or are forced to make retirement a time of transition involving part-time work and perhaps self-employment. And with the tidal wave of baby boomers retiring over the next 15 years, many companies are actively looking for ways to either keep people in the workforce or return them to the workforce in part-time jobs after they've officially reached their "retirement" dates.

One of the biggest factors affecting attitudes about retirement is changing life expectancies. The average 55-year-old Canadian male non-smoker can expect to live at least 26 more years, and a woman the same age can expect 29 more years (21 and 26 if they're smokers). A 60-year-old male non-smoker has 22 more years, and a female has 25. And many people live even longer—most much longer—than they expect. In fact, 50% of the population will live longer than the average. So even if you retire at the traditional age of 65, you'll have approximately 20 years in this new stage of life. This should send a clear message to anyone looking at retirement options and his or her pension. Given these statistics, how will you support yourself for the next quarter of your life?

Changing Your Retirement Mindset

In spite of our aging population, "old" and "retired" no longer mean the same thing. Preventative health care, lifestyle changes, and innovations allow longer and healthier lives. In addition, attitudes about age have changed. People can seem old at 50 or young at 80. Movies such as *It's Complicated* make being in your 50s almost trendy.

Even studies on aging show a gap between the expectations that young and middle-aged adults have about old age and older North Americans' actual experiences. A

2009 survey asked respondents about various negative perceptions associated with aging, such as illness, memory loss, inability to drive, and difficulty paying bills. In every instance, older adults reported experiencing these at far lower levels than younger adults expected when they grew older. The gaps in perception also apply to when old age begins. Those 18 to 29 years old believed the average person becomes old at 60. Middle-aged respondents put the threshold closer to 70, and respondents over 65 said that the average person doesn't become old until 74.

Increasingly, North American men and women are resisting the idea that life slows to a near-standstill somewhere between 55 and 65. Retirement doesn't have to be something

“Retirement doesn't have to be something that just happens to you. You can control when and how you retire.”

that happens to you. With planning, you can control when and how you retire. Your withdrawal from the workforce may be full or partial, temporary or per-

manent. It could be a move to a less demanding job or a reduction in hours. It could be the time when you set up your own business or work in your partner's business. But it's not a time to stand still and let life pass you by.

Paying for Your Retirement

The changing face of retirement has, of course, huge implications for how Canadians must make sure that they have continued income as they age. As a result, there's a greater range of choice, and choice made within a family context. There's also increased concern about the financial stability of both public and employee pension funds. Phrases such as “pension crisis” are being used to describe the possible scenario when

thousands of North Americans enter some kind of retirement without adequate income support.

The truth is that our preconceived ideas about pensions also must change. Our parents may have talked about their company pensions with reverence. One's pension was seen as a great benefit of a long, loyal career with a good company. The reward for faithful service was a paid-for retirement—how good was that? Most didn't question their pension and how it was set up; they just considered themselves lucky to have one. Retirement was seen as a time when you were expected to slow down. Then, in the late 1980s, we were bombarded with the idea of "Freedom 55," carefree days when we could live like teenagers again, but with unlimited money.

These perceptions are no longer helpful or wise. Your pension isn't a reward. It's a company benefit that may—but may not—be adequate to sustain you in retirement. Unfortunately, your pension may even be subject to losses or altered benefits. You may be "handcuffed" to your job just so you can hang on to your pension. Or your pension may have been converted into a different kind of plan that won't return nearly the income you'd once hoped that it would.

Your pension is just a retirement savings account. Repeat: Your pension is just a retirement savings account. You need retirement savings, whether you retire now or when you're 80. And you need savings to supplement additional income you may earn. Ideally, you want such savings to be tax-free until you withdraw them. And you want them invested safely so that when you need them, they're there.

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So do you rely on a single company or government pension to fund your living expenses when you're older? Absolutely not. Old Age Security and the Canada and Quebec Pension Plans provide a modest base on which to start building your retirement, but aren't designed to fill the gap by themselves. Participating in your employer pension plan by itself likely won't be enough, and saving through Registered Retirement Savings Plans (RRSPs) plays an important role but needs to be combined with other tax-saving strategies and long-term plans.

The foundations for a worry-free retirement are knowledge, clarity around decisions, and knowing how to put the pieces together to fit your situation, which include:

- Learning about pensions, where they came from, and how they work.
- Looking at your decisions and clearly understanding what to expect when you face retirement and what decisions you'll have to make, whether you work until you retire or are forced into early retirement.
- Figuring out how to wrap your values and goals—those things that matter the most to you in life—around your financial decisions.

With these foundations, you'll gain some control over the next quarter or even third of your life and have strategies in place to reach your goals.

Next Steps

If you're close to retirement or retired, shake off any preconceived ideas of what it means to be retired or to be old. Now is the time to plan the rest of your life, including how to pay for the lifestyle you want.

Pay Attention:

- Ask yourself, “How old do I feel?” then start living that age.
- Think about what “retired” means to you and how you want to live as a “retired person.”
- Don't assume that you've got a pension waiting for you or a pension that will be enough to give you the lifestyle you want when you retire.
- Start learning about pensions.