

# Retirement Readiness Report

Helping older employees get ready to retire successfully

A free report for employers, unions, and pension funds, produced by RetirementWORKS®, Inc.

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Welcome to the twelfth issue of the *Retirement Readiness Report*, offered as a free resource, to help you think about how your organization supports the transition into retirement.

We encourage you to contact us at any time if you have ideas, criticisms, or other comments about this publication, or wish to update your email address (or be added to or removed from the list).

*If you missed issues #1 thru #11:*

They're available at:

<http://www.retirementworks2.com/support.asp?id=newsletter>

*Next month:*

How you can help your employees “downshift” as they approach and enter retirement.

## Dealing with health issues in retirement

We raise this issue not so much from the employer's standpoint, but the employee's / retiree's.

From the employer's standpoint, the main issue (except for that small percentage of companies still offering post-retirement medical benefits) is helping early retirees understand how to bridge the gap between group health benefits while still employed and Medicare, which kicks in only at age 65. And this problem could get even easier once some form of health care reform is enacted at the national level.

On the individual level, however, there are many issues to consider:

**Health insurance, both before and after Medicare.** Medicare doesn't cover everything. There are various deductibles, exclusions, and limits, and retirees can either live with those and take a chance, or purchase “Medigap” policies (or join a Medicare HMO) to fill the holes. It is almost always a good idea to get additional coverage, but there are still multiple levels to choose among. It is not necessarily easy to decide whether to opt for lower premiums or more extensive coverage. When your older employees are thinking about the financial feasibility of their retirement, they need to take this into account.

**Future long-term care needs, for themselves and/or a partner.**

Many people are not aware that Medicare does not cover nursing home care (except briefly, after a hospitalization) or assisted living. Since about one person in three ends up needing long-term care, it's wise to provide both financially and psychologically for that need, or for the need to be a caregiver. The financial consequences can be staggering, including uninsured medical costs; costs for equipment or home improvements that are medically required; costs for in-home services or, even worse, for residential care; and loss of any income the disabled retiree or spouse might have been earning, as well as

probable loss of some or all income the partner might have been earning while she or he instead has to spend a significant amount of time in caregiving. Caregivers are also subject to increased stress, depression, and ill health of their own.

**Care of other disabled relatives.** Employees who retire in their late fifties or early sixties often have living parents in their eighties or nineties – who either do, or are likely to, need care. Even if the parents can afford to pay for care, they may not have the energy or brainpower to manage their own situation, so the retiree needs to step up. Stepping up can sometimes mean taking in an elderly parent, or even moving to a different state to be close enough to provide direct care, or to supervise what others are doing. And it's not just parents. Disabled siblings and special needs children who have grown into adulthood often get minimal support from the state, and it falls on family members to take care of them.

**Taking care of one's own health.** Some younger people

are good about living a healthy lifestyle, and some are not. In our youth, we can often get by with eating badly, exercising too little (or too much), or skipping medical check-ups. But as we age, these become increasingly risky behaviors. Since ill health has so many bad consequences – pain and suffering on the part of the patient, worry and inconvenience on the part of the family, additional expenses, inability to

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follow through on other gainful or pleasurable plans and pastimes, and of course, sometimes, premature death – the decision to be more careful about one's own health or to be lax about it is very important.

Older employees contemplating retirement should seriously consider giving up smoking, improving their diet, getting regular exercise, and seeing their doctors

regularly, as part of the overall life-change they are about to experience.

As always, we encourage employers, unions and any other interested parties to consider how a bit of helpful advice as employees approach retirement can make a big difference in the quality, affordability, and in this case even the length of retirement.

One is tempted to say that this is an even more important issue than retirement finances, and in many cases it surely is. But more profoundly, the two are inextricably bound. Health, illness, caregiving and care-receiving all have obvious (and sometimes less obvious) financial consequences. They also affect one's psychological health and happiness, which in turn can have beneficial or harmful effects on physical health. Conversely, financial insecurity can have both physical and mental ill effects.

So trying to unbundled all of this, and supposing that we can help people retire with financial security, yet without addressing the health-related issues, is to take an overly simplistic approach.

Any program helping to prepare older employees for retirement needs to look at the big picture, and health issues are inevitably an important part of it.

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## Recommended Reading for Employees Getting Ready to Retire

*Live Long and Prosper*, by Steve Vernon.

\$19.95 (John Wiley & Sons, 2005)

**Notice: We do not sell books, or have any financial stake in recommending them.**

Steve Vernon is an unusually wise man who has written an unusually wise book.

À propos of our theme this month, the subtitle of his book is “Invest in Your Happiness, Health, and Wealth for Retirement and Beyond.”

Health issues are literally, and in important respects figuratively, at the center of this book. This is a bit of a switch, since most retirement books are about money, primarily. Vernon respects the importance of financial issues in retirement, but he stands promi-

nently among those relatively few authors who emphasize that money is not what retirement (let alone life in general) is truly about, and that happiness and health can both be had without substantial financial cost. We need to be smart about our money, so that we get the most out of what we have, but unless we are capable of being content living within our means, whatever they may be, it doesn't really matter how much we have because it will never be enough.

We also have limited influence on our own wealth, once we get to retirement age. But we can have a huge influence on our health, which in turn, will have a major impact on our happiness. So the second of this book's three main sections is devoted to preserving one's health.

Not that Vernon neglects financial issues. More than half of the text concerns money matters, which reflects the author's own professional background as an actuary and a consultant. It also reflects the inevitable complexity of financial decisions. He goes further than most retirement books do in

helping the reader actually perform useful calculations, where those are needed – and while we here at RetirementWORKS, Inc. feel that the printed medium is not really sufficiently flexible to provide reliable individually-tailored financial advice, Vernon does about as well as anyone could.

Most strikingly, he talks about happiness, and especially the relationship between work and happiness. He wisely emphasizes that most people need to have some kind of productive activity to feel fulfilled and therefore to be happy. If that activity is work for pay, then the paycheck is an important additional benefit. By keeping ourselves healthy, and continuing to work during our older years, we remain contented and prosperous even if we live a long time.

This model will not work for everyone, but it's an intriguing concept that is persuasively, intelligently delivered.

And if you happen to represent an employer that is trying to hold onto its older, more experienced workers, you may have your own

selfish interest in encouraging them to read this book. Check it out yourself, and you'll see what we mean.

By the way, you can find out more about Steve Vernon and his other publications and services at: <http://www.restoflife.com/>.

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## Featured Website

### ***Caring From a Distance***

<http://www.CFAD.org/>

This issue of the Retirement Readiness Report has come back several times to the problem of caregiving – a problem that is even more imposing when the person needing care lives far away. When your employees or members are in this circumstance, the Caring From a Distance website can be a valuable resource.

This site covers all the essential points, and is organized in a very sensible, intuitive way.

The first section deals with “What to do” – the starting point for someone who is dealing with this problem for the first time, and perhaps with no warning. The

site provides an overview of where to get help, then focuses in more detail on how to collect the information needed to make decisions, on how to manage finances, and on how to manage legal documents. The CFAD site also will host and facilitate a live conference among all the concerned parties, if desired.

Additional resources offered on the site include a library of information resources, a wide assortment of links to services that caregivers can use, and references to caregiving services and individual geriatric care managers all over the country.

Not least in value are the personal stories and specific cautions about how others are dealing with this problem, and what traps people can fall into that make a bad situation worse.

And for people who want to use this website as a place to store medical, legal, and other documents and data, Caring From a Distance provides a secure place to do so – one that is accessible by internet, so that whether the caregiver is home, on vacation, or actually on-site visiting the person

needing care, the necessary materials are available.

Knowing about this site will help not only your older workers, but many of your middle-aged employees as well (and even some younger ones) whose parents need care.

### **About RetirementWORKS<sup>®</sup>, Inc.**

We are the consumer subsidiary of Still River Retirement Planning Software, Inc., of Harvard, Mass., which has specialized in retirement plans and retirement planning since 1994.

Our philosophy is that retirement needs to be viewed from the retiree's point of view, in all of its complexity. So we offer the most powerful and useful financial software available anywhere for retirees and near-retirees, and advice concerning non-financial aspects of retirement. But we do not sell any financial products or services other than software, and have no financial stake in any advice that is offered.

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