

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 thirty-fourth 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 #33:

They're available at:

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

Next month:

The eight biggest retirement decisions...?

Retirement and the rank-and-file employee

Things have changed in the last ten years or so.

It used to be that many large corporations, and a lesser proportion of other organizations, offered retirement advice to their rank and file employees who were within a year or so of retiring. The phrase "retirement readiness" was not in vogue, but the *reality* of it was. Now we have the nifty phrase, and not much behind it.

That is, unless you're an executive, or some other highly valued employee. Then there's a good chance that you have access to company-paid (or subsidized) professional advice. Sometimes the advice is purely financial, but it often covers other issues as well.

There's nothing wrong with that. People with large organizational responsibilities are often not as focused on their own financial situation as they are on that of the operations they control or influence. (It's a case of the cobbler's children having to go barefoot.) Not that they don't have a lot more financial resources than the rest of us, but they also tend to have larger expenses, debts, and other commitments, and they often lack a sound grasp of how it hangs together, or even whether it hangs together.

They also can have more difficulty making the psychological shift into retirement. People who are used to being in positions of authority, who are star performers in their line of work, or who are accustomed to deferential treatment from others, can . . . literally overnight . . . find themselves with authority over little but their own individual lives, the star of nothing at all, and the recipient of deference only from their pets and (with a little bit of luck) from their spouse and children. Their whole self-image can come crashing down, and having financial security is not a solution for it. Some never recover.

So by all means, let's help prepare them.

But the rank and file need help, too, and they need it even more.

They have similar, though not identical, issues on the non-financial side. Though they may have had only modest authority (or none at all) on the job, and maybe were not stars (though many of them are, albeit less visible ones), and perhaps they were never shown much deference (though some are, because they earn it or demand it), their world also changes at retirement.

They, too, often define themselves by what they do, and when they stop doing it, they may have an empty place similar to that of a big-time executive. They often have many (or most) of their friendships through work, and these tend to atrophy after retirement, leaving another hole to be filled. They, too, have to figure out how to feel useful and to maintain their self-respect during the hours of the week when, while working, they had plenty to keep them busy.

They also have the problems that

are common to all of us as we enter retirement, and realize that the next big transition is likely to be an unpleasant one. Once the routine and noise of daily work ceases its clamor, the existential questions of dealing with aging, possibly a long period of illness or incapacity eventually, and ultimately death.

Again, money does not solve these problems, or necessarily even make them easier.

“The rank and file need help, too, and they need it even more.”

But at least the most Highly Compensated Employees usually do end up with enough money. They might need to make some adjustments when they retire, but few need to fear ever running out of funds, if they are not foolish.

This cannot be said, of course, of the rank and file. Probably somewhere close to half of American employees retiring this year . or wishing they could . are in a dicey financial situation. It is unlikely that they can maintain their lifestyle for as long as they

are expected to live. Something has to give, and deciding what that is may not be easy.

And probably at least half of the other rank and file employees, though able to remain solvent without making big sacrifices as long as they don't have unusually bad luck, are vulnerable if they do have bad luck.

A retirement budget that can pay the rent, provide for decent meals, and allow for some modest travel or entertainment, gifts for the grandchildren, and other essentials, may well fall apart if the economy crashes, or someone develops a serious medical problem not fully covered by Medicare, or a family crisis occurs, or the retired employee (or her/his spouse) needs to go into assisted living or nursing care for a long stretch of time.

Few middle class families are totally immune from potential disaster if circumstances deteriorate enough.

And while total immunity is too much to ask for, *prudent allowance for at least mildly adverse conditions* is something that

every individual or family in retirement should strive for. Yet the variety of the risks, the inherent complexity of some of them, and the sometimes even greater complexity of potential solutions makes such prudence difficult to exemplify.

That is one of the main reasons why advice and help for retiring employees is so critically important. Many retirees, especially those who have been consistently employed throughout their working lives, do actually have sufficient means to live a reasonably comfortable, reasonably rewarding life in retirement, *if they know what they doing*.

But if executives, who are almost always conversant with financial principles, need help making prudent decisions about their own retirement finances, how much more do rank and file employees need it, when most of them have no work-related financial responsibilities, and cannot reasonably be expected to even identify all the key retirement financial issues, let alone understand them and, even more so, resolve them in the most favorable fashion.

For most people, retirement is something they do once . . . and don't do very well, because they have no experience with it, and because no one is there to help them.

If *you* are there, whether representing an employer or a union or a pension fund, shouldn't you be trying to help?

Recommended Reading for Employees Getting Ready to Retire

How to Retire Happy, by Stan Hinden
\$18.95, McGraw-Hill, 2009 (3rd edition).

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

Stan Hinden's book reinforces the preceding message about the desirability of *experience* with retirement.

Hinden was a financial reporter for the *Washington Post* for some 20 years, but even so, he found that when he retired he still had a whole lot to learn! (And if that was *his* experience, how do you think retiring employees in your

organization will fare?)

After retirement, Hinden continued to contribute to the *Post*, penning the *Retirement Journal* column for them, which won him a Pulitzer Prize nomination.

His book reflects his retired status. It's casual and chatty rather than didactic. He does hit upon the most important retirement decisions, both financial and non-financial, and provides a good deal of useful information. But he does it mostly by relating his own experiences, including the mistakes he made along the way. So we get to ride along, learning from *his* mistakes, and thereby possibly avoiding some of them ourselves.

Books like Hinden's are not a great substitute for a real Retirement Readiness program, because books do not adapt well to the individual characteristics and needs of their readers, but for under \$20, a book like Hinden's is a very worthwhile investment, especially for people who are not getting organized help elsewhere.

We have previously reviewed some other retirement books that

we think are somewhat better overall, but Hinden is highly readable, quite smart, and covers a lot of ground. Unfortunately, some of his financial advice reflects conventional wisdom that is wrong. But he is still worth reading, especially by soon-to-retire employees who don't want to deal with a lot of technicalities.

Featured Website

Retirement Works 2 Free Limited Version.

<http://www.retirementworks2.com/>

We have written in past issues of the *Retirement Readiness Report* about possibilities for setting up retirement readiness programs on a shoestring.

Our own company has just made this even more plausible, by coming out with a **free** version of its financial software for people nearing retirement, or already there.

This was not an easy decision on our part. We are, after all, a business ourselves, and **free** does not pay the bills.

But since what we do is so different from what others do, and is uniquely valuable (it's true, even though we're saying it ourselves), we decided that it would be good for potential customers to be able to get a good strong taste of it, and then decide whether they wanted to upgrade to an even more powerful version.

The truth is, not everyone needs to upgrade. Some people do not have complicated situations. Their retirement income is pretty well settled, and their living habits (and therefore their expenses) are reasonably constant and comforting. Others have enough assets or income so that they are in little real danger of running out of cash.

But for most people, it's more touch-and-go, with the risk of not having enough to fend off adversity, or maybe not even enough for basic living expenses if they live deep into their 90s or beyond.

The **free limited-version** of RetirementWorks actually uses the same smart analysis, and presents most of the same helpful reports as the paid-for versions. But it requires less input. This is

great for people who just want to do a quick check of where they are, but it might not be good enough for those who really want (and need) a more thorough analysis, along with recommendations they can comfortably rely on. This latter group would be wise then to go for the upgrade.

But as a potential sponsor, you could offer access to the free version, at no cost to your own organization, and let people upgrade on their own, if they wish.

About RetirementWORKS[®], 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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