

Turning 55? Seven Questions to Assess Your Readiness for Retirement

Age 55 is becoming the “gateway” to retirement in American society. It’s a common age for people to cite as the age at which to retire early. It’s the age of choice for “55-plus” residential communities. And, it’s the age McDonald’s starts giving senior discounts on coffee.

From a wealth planning perspective, 55 is a good age at which to establish a comprehensive retirement plan. Why? Because by age 55, most people/couples understand their preferences fairly well. They can begin to formulate future family commitments, evaluate financial readiness and articulate a desired lifestyle that may/may not include a shift in residency. Highest income-producing years may still be ahead, but a topping-off point may be within sight.

All of these factors are important, but there’s an even more important reason to make age 55 your target for creating a comprehensive plan: *you have time to adjust.*

For example, you may realize while conducting detailed income projections that you haven’t saved as much to fund the retirement lifestyle you desire. This gives you a decade or more to make up for any shortfall. You also have time to “live with” your plan for some years, prior to putting it into action. This is especially important when planning for two. It’s not uncommon for spouses to have drastically different visions of retirement; going beyond smaller factors, such as warmer vs. colder climate or downsizing vs. hanging onto the family homestead, to bigger divergences such as whether to “spend it all” versus leaving bequests.

Ahead of creating a comprehensive plan at age 55, it’s helpful to start considering the following important topics, both individually and in conversation with family members. So, grab a cup of discounted coffee (if so desired), and ponder these questions by yourself or together with a spouse or retirement partner. Doing so will make your financial plan align to your true desires—and be more likely to guide you to a fulfilling retirement.

1. What will make you ready to retire?

In past decades, people generally retired at or about the time they became eligible to begin collecting pension payments from defined benefit plans. Those plans typically included an eligibility date based on age and years of service. Employees may have literally had in their minds a specific retirement *date*—specific to the point of “Friday, March 6, 2020”—for a decade or even two decades.

Now, the question is much more wide open. Some people desire to retire earlier than their federally defined “full retirement age.” Some people wish to work past it. (On average, people end up working fewer years than they think they

will, owing to factors such as health changes and corporate restructuring that makes it difficult to regroup and find an equivalent position elsewhere.)

Then, apart from preferences and “shocks,” there’s the matter of whether someone has accumulated enough assets to fund a desired lifestyle throughout retirement. Many people keep a total assets figure in their minds throughout their working years: “when I have \$3 million, then I’ll be ready to retire.” But it’s vital to take the next step and actually model out how those funds will serve. Three million may be plenty...or not.

By asking yourself “what will make me ready to retire?” you’ll zero in on the financial and non-financial factors that matter the most to you. And by asking this question at age 55, you have some time to adjust your finances, your preferences or both.

2. Who are you without your job title?

This can be a tough question for someone at age 55, likely in the prime of his or her career—and likely still advancing, too.

But asking this question doesn’t mean taking your eye off the ball as you work to further your career. Rather, it helps put your current career in the larger context of your whole life. And without that context, you may find the retirement years (when they come) to be uncomfortably “blank” until you find the answers. Do you want to volunteer? To focus on grandchildren? To travel? All these may be fulfilling...but which of them moves you the most deeply?

3. Can you verbalize your retirement life?

This next question builds on the prior one. Say you know you want to volunteer. Can you verbalize where, and with whom? Can you describe the pace of your days and weeks, as you want to live them?

Continuing with volunteering as an example, some people find great fulfillment in making volunteer work nearly as time-intensive as their prior careers, with a narrow focus on a particular cause. Others may wish to be more lightly involved in a wider range of volunteer opportunities. What level of time and intensity is best for you?

4. Where do you want to live?

Once again, this question builds on the prior one. As you verbalize your retirement life, be sure to include the “where.” And be sure to talk this over with your spouse! A colleague of mine was startled when, during a retirement planning meeting, the financial advisor asked where he and his spouse want to live and the spouse answered “Costa Rica!”

Also, be sure to include careful consideration of your current home or homes. Which (if any) are important to family members beyond you? Is there a lake, beach or mountain cottage you hope to keep in the family? Do you need to maintain ownership of your primary residence or are you open to downsizing? Would you enjoy or feel burdened by owning and maintaining two properties, as many snowbirds do?

5. What are your health needs?

Some health challenges are simply unpredictable, and plans need to have risk-management strategies built into them to accommodate such “shocks.”

You may, however, already have some sense for your health needs. Consider whether what you know now should impact your thinking about where to live. For example, if you know it will be helpful to live near a major hospital, don't make retiring to a tiny island in the Caribbean the centerpiece of your retirement dream.

6. Do you want to "spend it all"?

This question gets at your desire to leave a financial legacy, either for heirs or causes close to your heart. Both your level of retirement income and the specific structures used to provide it will vary—often significantly—based on how much you want to have "left over" after meeting your objectives for your own life.

7. Can you handle disruptions?

Disruptions are inevitable. Some are small, some are big. The biggest include the unexpected death of a spouse—with whom you may have dreamed and planned for decades. Can you envision carrying out your retirement plan without your spouse? That's a hard question to ask, but it helps channel thought toward what truly is most meaningful to you.

Conclusion

With retirement comes more time: time with family, time to prepare and gather for more family meals or time to look after grandchildren and attend their extracurricular pursuits. To ensure future time is spent fulfilling your desires, take time now to meet with your advisor to assist you in developing a pre-retirement plan that will identify goals and build a roadmap for the future.



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