

How Retirement May Not Be the End of The Road For You

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So much emphasis is placed on what to do at the beginning of your career but very little focus is placed on what to do at the end of it. As the workforce continues to age, the number of people who will retire will increase. There is a need for both the ageing workforce and the upcoming workforce to start focusing not just on the past and the present but also on the future. This is where the aspect of retirement planning comes in.

Planning for retirement is one of the most important but more difficult tasks an individual or family can perform. This is especially worrying as Turner et al in 1994 proffered that the sooner an individual starts investing for retirement planning the more he or she gets the benefits at a later age of their life. Retirement planning is defined as the process of determining retirement income goals and the actions and decisions necessary to achieve those goals. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program, and managing assets and risk.

During the next 15 years, 80% of the workforce of the world is going to be over 50. This means that these people are approaching retirement and need to prepare accordingly. The unfortunate thing is that the young working generation today thinks that it is too early to think for retirement planning. They feel as though they are too young. But what they do not understand is that if they do not plan for their future they will sooner rather than later live to regret it.

People who plan for retirement, however, accumulate larger wealth than non-planners through saving, investment, and the probability of selling a house to finance retirement and others as said by Lusardi and Mitchell (2007). Elder and Rudolph (1999) stated that planning activities are responsible for satisfaction even for those who go for retirement decisions involuntarily (either because of health problems or forced employer mandate). Marriage, health, education level, whether the individual was forced to retire, and the pre-retirement profession, as well as the retirement planning, have bearing on the level of retirement satisfaction. Yakoboski and Dickemper (1997) report that only 36 percent of workers have tried to determine how much they need to save to fund a comfortable retirement.

The importance of retirement planning

When it comes to retirement you need to consider both personal planning and financial planning. Personal planning determines your satisfaction with your retirement lifestyle whilst financial planning identifies your sources of income and expenses and establishes your retirement budget, based on your personal plan thereby ensuring how comfortable you will be in your old age.

All too often people entering retirement do not place enough emphasis on personal planning to ensure they maximize their opportunities. They need to think about the choices you have about how you would like to spend your time during retirement. Your choices now will drive the financial circumstances that

must be met in order to achieve your goals upon retirement. According to Investopedia, the non-financial aspects include lifestyle choices such as how to spend time in retirement, where to live, when to completely quit working and so on.

Income upon retirement will likely come from three general sources: government pensions, employment-related sources, and your own personal investments. This income should be structured to fit your lifestyle choices and to protect the assets you have worked hard to acquire.

One reason individuals do not engage in retirement planning is that they lack financial literacy. Bernheim (1995, 1998) was one of the first researchers to emphasize that most individuals lack basic financial knowledge and numeracy.

To ensure that you have an enjoyable retirement you should follow the following steps:

1. Identify & compare your income and expenses to determine any shortfalls or surpluses.
2. Review & analyze the various retirement income strategies.
3. Review & compare the retirement income options available.
4. Develop an action plan.

Retirement well being

Being healthy and wealthy in retirement (Kim & Moen, 2002; Richardson & Kilty, 1991; Szinovacz, 2003), being married, identifying with the marital role, and joint leisure activities of spouses during retirement (Price & Joo, 2005) all contribute to well-being in retirement.

It has also been shown that retirees' former work role, their pre-retirement social background, and their preretirement self-esteem and self-efficacy all exert an influence on postretirement well-being (Esteban, Haverstick, & Sass, 2009; Reitzes & Mutran, 2004; van Solinge & Henkens, 2005, 2008).

This is important because it is not just money which makes retirement enjoyable but actually being physically, mentally and emotionally able to enjoy your retirement matters. That life is uncertain is known to all of us. With a sensible retirement plan, you can be sure of being secure even after you retire. Retirement planning is something that can be easily neglected since, for many, it is more satisfying to spend now for enjoyment rather than save for a long-term goal, like retirement.

Some individuals may not benefit from planning because of uncertain income levels and others may desire to never stop working. The latter is often the case for those who are self-employed and business owners (Lusardi, 2003). However, for most workers, retirement is one of those inevitable phases of life, which marks the end of our careers that we have built over the years by acquiring skills and constant hard work. Retirement planning will help them to actually enjoy the fruits of their labour.

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