

Retirement Research

The stages of retirement

by Ameriprise Financial, Age Wave and Ken Dychtwald, Ph.D., and Harris Interactive, Inc.

INTRODUCTION

As it turns out, retirement is not a single event. It does not take place in a day, or even in a single year. Instead, The New Retirement Mindscape study reveals that people migrate through distinct and predictable stages of retirement—each with its own complex emotions and needs. As people move through these stages, each stage has an impact on every other area of their life—their family, their workplace, their community, and their financial situation. The Ameriprise Financial New Retirement Mindscape study identified five distinct stages that occur before and during retirement: 1) Imagination, 2) Anticipation, 3) Liberation, 4) Reorientation and 5) Reconciliation.

The First Retirement Stage: Imagination (15–6 years before retirement)

The first stage of retirement, Imagination, typically begins 15–6 years prior to Retirement Day. For people in this stage, retirement is not necessarily top of mind. In fact, they probably have many other activities in their lives that are currently taking precedence, such as putting children through college, paying bills, or pursuing their careers.

However, as retirement draws closer, people in this stage increasingly turn their attention, purpose, and energy to their retirement goals and preparation needs. They also begin to develop a clearer vision of what they want out of retirement, what they will be doing, as well as what they see as priorities for retirement fulfillment. They begin to think of retirement with a sense of enthusiasm and excitement.

As individuals in this stage begin to build more substantial savings to help fund their retirement dreams through 401(k)s, IRAs and other means, they become more confident that they will be able to achieve their dreams. Those who have yet to engage a financial advisor look for someone who understands what is important to them as they begin to envision their retirement ambitions.

The Second Retirement Stage: Anticipation (Up to 5 years before retirement)

The next stage, Anticipation, takes place in the years just prior to retirement. This stage is a time of great excitement and hopefulness—emotions that continue to intensify as people get closer to their actual Retirement Day. Financial resources are almost in place and people begin to spend additional time planning for recreation, new hobbies, family and even post-retirement careers.

However, in the year or two just before Retirement Day, as people stand at the threshold of retirement, there are some feelings of worry and doubt. These anxious feelings are normal and quite understandable. Not since beginning adulthood have they undergone such an important transi-

tion and transformation of their lives, one that will affect almost every aspect of their existence—their social network, family relations, professional relationships, sense of purpose, and financial stability.

The Third Retirement Stage: Liberation (Retirement Day and the year following)

Retirement has arrived. This Liberation stage is a time of great enjoyment, enthusiasm, and hopefulness. This is the “honeymoon” phase of retirement. Yet surprisingly, this stage lasts only about one year. People told us that on Retirement Day, they felt both excited and relieved. They said they felt liberated from many of their worries and responsibilities, and that they are living their retirement dream. Though they admit they miss their friends and social connections from work, people in this stage are fully engaged in everything their new freedom has to offer: reconnecting with spouses and families, hobbies, traveling, even starting new businesses.

The Fourth Retirement Stage: Reorientation (2–15 years after retirement)

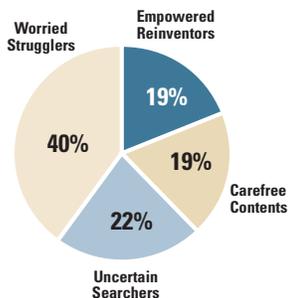
After an initial period of Liberation, people transition into a stage of Reorientation. During this time, which can last up to 15 years after Retirement Day, the data show that there is usually a let-down in this stage—but how much of a let-down, and how long it lasts, depends on many factors. During Reorientation, people reorient their priorities, activities, relationships, and lives. People discover that retirement is often more challenging or just different from what they expected and some complain of depression, worry and boredom.

However, planning, preparation and a clear vision of their retirement potential can help empower people to make this a more satisfying time in life. We uncovered four distinct experiences within the Reorientation Stage: Empowered Reinventors, Carefree Contents, Uncertain Searchers and Worried Strugglers.

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While both the Empowered Reinventors and Carefree Contents say the Reorientation stage is a fulfilling and satisfying time in their lives, the Uncertain Searchers are still trying to figure out what to make of this time in their lives. They report mixed feelings about this stage—neither

Four Types of Experience in Reorientation



very positive nor very negative. Generally, this group gave a lot less forethought as to how they wanted to spend their retirement than either the Empowered Reinventors or Carefree Contents and are likely still trying to discover the goals and activities that will give them purpose, meaning, and fulfillment in retirement.

The Worried Strugglers are having the most difficult time in the Reorientation stage. They are more likely to admit being worried, bored or sad. They have fewer aspirations in this stage, and are more likely to feel a sense of emptiness resulting from a lower work capacity. Less than a third say they are greatly enjoying their retirement. Lack of planning and preparation likely played a role here. Of all the groups, they are the most likely to say they gave little thought to what they wanted to do in their retirement years.

The Fifth Retirement Stage: Reconciliation (16 or more years after retirement)

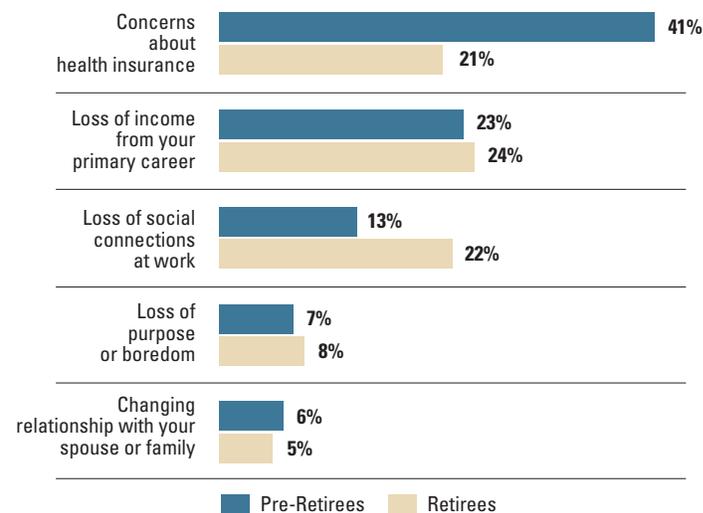
In the later years of retirement, 16+ years after Retirement Day, many retirees enter a phase of relative contentment and acceptance. In this stage, people are more hopeful and have come to terms with all that retirement has to offer. They begin to set their sights on the possibility of moving to a new home or location. They report lower levels of depression and worry, though they are also more likely to admit to sadness as they begin to confront end-of-life issues with families and friends. Although resting and relaxing is increasingly appealing, people in this stage have a renewed interest and engagement in activities and hobbies.

Conclusion: Fulfillment drivers

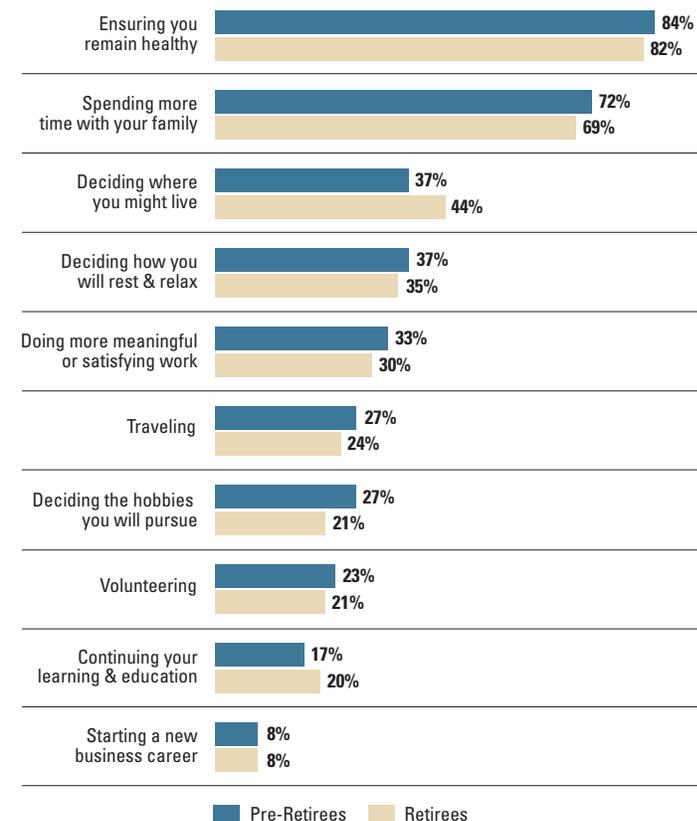
So, what is the secret to a fulfilling retirement? Our study demonstrates that retirement fulfillment correlates with a wide range of variables: early financial planning, having a clear vision of retirement goals, continued activity and engagement throughout retirement, financial preparedness, and leveraging professional advice. As it turns out, money

is not what buys happiness in retirement: having a vision for the future and planning for that vision are as important as money in achieving a fulfilling retirement. 🌟

What is the Hardest Thing to Deal with Related to Retirement



Top Retirement Priorities (% very important)



ABOUT THE AUTHORS

Ameriprise Financial funded the study in conjunction with Age Wave and Ken Dychtwald, Ph.D., and Harris Interactive, Inc. For more information and the complete study results, visit: <http://www.ameriprise.com/amp/global/sitelets/dreambook/pr-home.asp>.