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Helping Clients Think About Phased Retirement

By Anna M. Rappaport, FSA, MAAA



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Financial advisors help people plan for retirement, and they generally focus on helping clients save enough money, invest it well, and acquire adequate assets for retirement. In the past, employees with long-term jobs and good benefits packages often had retirement security thanks to a combination of Social Security and a pension plan. But fewer employees have defined benefit plans today, people are living longer, and robo-advisors are helping with investments. These changes challenge financial advisors to think differently about how to help their clients and how to structure their businesses.

Choices about when to retire, how to work, and how long to work have a big impact on retirement security. Many people choose to work part-time before retirement or as part of retirement. In fact, most U.S. seniors take a nonstandard path to retirement; 13.7 percent transition to part-time work before retirement, 16.9 percent leave and re-enter the workforce, and 25.7 percent work full- or part-time after age 70.¹ I think of these alternative pathways as “phased retirement.”

A life portfolio is a helpful construct for those who are moving into retirement, phased or otherwise. One’s life portfolio addresses four areas—pursuits, people, places, and health—which are the foundation of successful retirement. Building and documenting a life portfolio is ultimately up to the client, but advisors may wish to assist in the process. If so, it’s up to the advisor to determine how much of

a role to play and how that role will fit into the advisory business model.

This article discusses phased retirement and the life portfolio, with the goal of helping advisors use these concepts to support their clients in retirement.

ADVISORS ALSO FACE IMPORTANT CHOICES

Many individuals in their 50s, 60s, and 70s are faced with making important decisions about their next steps, sometimes by choice and sometimes not.

Some seek a new but similar job opportunity, some seek a new active lifestyle with a different script, and some seek traditional retirement. My experience is that most professional and business people seek a meaningful set of activities and not just a full-stop retirement.

Some advisors may wish to help clients with these decisions. If so, advisors may want to ask themselves the following questions:

- What decisions should we help clients with?
- How can we help clients explore the financial implications of alternative pathways?
- How can we help clients explore the non-financial implications of alternative pathways?
- How can we help clients think about the best pathways for them?
- What activities and interests will make retirement successful for my clients?
- Moving beyond money, what do my clients need to think about to create successful retirements?

- What is a life portfolio? Should I help my clients plan life portfolios?
- Should I help my clients implement life portfolios?
- Which business model will enable me to support the activities I choose?

My view is that a successful retirement is based on a combination of financial success and a successful life portfolio, which includes the elements of life that go beyond money: pursuits, people, places, and health.

BUILDING A LIFE PORTFOLIO

I believe that each of us should have a life portfolio as well as a financial portfolio (see figure 1). Just as a financial portfolio requires focus, diversification, and management, so does a life portfolio. However, the strategies that make sense for the life portfolio are very individual, and there are few established tracks for defining and managing a life portfolio.

I have defined a life portfolio as having the following four components:

Pursuits: work, volunteering, hobbies, community activities, caregiving, travel, and other activities that take time and provide satisfaction

People: family, friends, community organizations, maintaining and making contacts

Places: home, travel, community

Health: activities to maintain health and a support system in the event of limitations

Individuals within couples may have individual life portfolios, and the couple's joint life portfolio overlaps the two. The couple developing a life portfolio needs to think about which goals are shared and which are individual to each of them. Bringing two sets of goals together, and deciding how to meet individual needs, is a part of the planning process.

Each quadrant of the life portfolio is discussed in detail below.

PURSUIITS

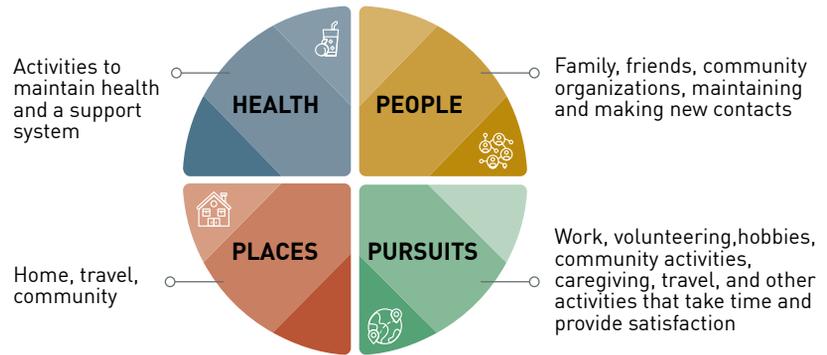
Rebooting often means an individual is scaling down on work and choosing some form of phased retirement. Sadly, institutional support for flexible job options is scarce. A 2017 study from the U.S. Government Accountability Office (GAO) focused on employer support for phased retirement and found few formal phased retirement programs.² The GAO study presents evidence, however, that many people are working as part of retirement, creating their own phased retirements, bridge jobs, or encore careers.

I have found that individuals have a range of ideas of what they would like to do as they leave full-time work. Some have given their plans a lot of thought and others have focused little on their next steps. New directions can be referred to as phased retirement, bridge jobs, and encore careers. Ideas include the following:

- Many want purposeful activity. Some have a good idea of what they would like to do before they ever reach the point of transition, and others need to find their next steps after the transition. Those who transition from full-time work to purposeful activities may then transition to total retirement a few years later.
- Some would like to continue working at traditional jobs well into their 70s and some after age 80. Judges, members of Congress, and entrepreneurs (including financial advisors³) tend to work well into old age.

Figure 1

THE LIFE PORTFOLIO OF A SUCCESSFUL HAPPY RETIREE



Life Portfolio courtesy of Anna Rappaport, www.annarappaport.com; © Michael Kitces, www.kitces.com

- Others would like to leave traditional full-time roles early and create new, independent roles for themselves. Corporate employees are much more likely than others to leave early (and this is often not entirely a voluntary decision).
- Small business owners have different kinds of choices, including transitioning part of the business to someone else.
- Some people are interested in volunteer and not-for-profit roles, choosing activities that are meaningful to them.
- Some senior people seek roles on boards, with a mix of corporate and not-for-profit organizations.
- Some people are interested in consulting or starting a small business, but at various levels of effort.⁴
- Some are seriously interested in music or art, maybe in combination with some of the other roles. An interest in art can be strictly a hobby or may include teaching, sales, etc.

People in management or professional roles often want a period of professional activity of their choosing before totally leaving such roles. In a discussion with people who had switched roles a few years before, some were ready for total retirement, and others were thinking about timing. A few never totally leave their professional roles.

PEOPLE

People are an important part of the life portfolio. Research has identified the

importance of social engagement for success in retirement.⁵ Choices about people influence decisions about place (and vice versa). In addition to existing contacts, individuals may wish to make new ones tailored to this life stage and their emerging interests. A variety of organizations can help people find their next steps, connect to other seniors, or pursue a special interest. The Village Movement consists of organizations designed to connect seniors to resources and to each other in their own locations. Skyline Village in Chicago is an example of such a group (www.skylinevillagechicago.org/). The Transition Network is a national group for women transitioning into their next steps (www.thetransitionnetwork.org/).

PLACES

Advisors can help clients think about the place quadrant by helping them examine the following questions: What can we afford? Should we pay off our mortgage? Should we downsize? Do we want to move to different housing or a different area? Would we like to be snowbirds? How much do we want to travel? How important is it to stay where we are?

Some other items to consider include:

- Housing is the biggest item of expense for seniors. There are huge variations in housing cost depending on geographic location and type of housing.
- Housing can involve upfront payments, regular monthly payments,

and irregular payments for repairs, improvements, and assessments.

- Housing may grow in value, but it also can decline.
- Housing choice has a big impact on quality of life. Access to family and desirable health care are very important to some people.
- Some cities are much more age friendly than others. It is worth paying attention to this point.
- Transportation and services are also important issues.
- Climate and weather are very important to some people.
- Some housing requires a lot of work on a regular basis both inside and out.
- Some travel is physically demanding and will not be feasible as people become limited.
- Many people who travel a lot early in retirement travel much less later.
- Cities, neighborhoods, and gated communities often offer access to a wide range of activities, many of which are for seniors or limited to residents. Many of these activities are available at very reasonable cost or no additional cost. This is particularly true of activities organized by volunteers.

Financial issues relative to housing include purchase cost, rent, taxes, repairs, financing, paying off mortgages, and use of reverse mortgages. A wide variety of senior housing includes a range of services and additional financial issues. Senior housing has different cost structures including up-front and monthly payments, and it may include care. There are potential opportunities for evaluating such housing including both financial and other considerations. This raises business questions for advisors and requires decisions about what services to offer.

HEALTH

The health quadrant of the life portfolio depends on the place quadrant, because place determines available nearby health-related services and facilities. Maintaining health and access to good health care are important to people in retirement.

Choices about place affect the things people have available to help them stay healthy. As people age, they often need to learn to live with limitations. Getting support is an important part of living with such limitations. Support can come from family, friends, or the market. Marketplace sources of support can be formal or informal. A part of the plan may be thinking about future sources of support including who might provide support, what might be needed, and how it could be paid for. This includes development of financial resources to support care, consideration of long-term care insurance, and choice of medical coverage.

SUSTAINING THE LIFE PORTFOLIO

Age often is accompanied by limitations, but ideally a life portfolio is flexible enough to adjust to the limitations; technology often can help. I believe it is important to include some elements in a life portfolio that can be continued even if one is physically limited or significantly involved in caring for others.

Some people will work on building a life portfolio long before they retire, and others will not start until after they have retired. Again, advisors need to decide if and how they wish to help clients with any of these items; for example, if they wish to be a source providing referrals to resources.

Build a brand and use it. It is important for people to find a direction and define what they want to do in retirement. Many people are aware of the need to build a brand earlier in life to manage a career. That need continues for a phased retiree, because there are no expectations about what phased retirees do and how they fit in. The brand will help the phased retiree seek out opportunities for jobs, board positions, volunteer roles, or consulting assignments. Those who have held senior positions or visible roles can choose between being known as “Me, today” or “Me, former senior executive of XYZ.”

Use technology, websites, and social media. Technology can be critical to life

portfolio choices. For example, I can do my work largely online and on the telephone in any location. Access to a good computer and printer is key. Access to tech support is also critical. Many people have always relied on employer-provided tech support, and now they need to secure their own for help with problems or questions. Technology upgrades for telephones, internet service, computers, and printers, as well as finding a quiet nook at home to work from, are also important. Phased retirees need ways to tell their stories to the right people, and thoughtful use of social media often can play a prominent role in telling those stories. Individual views vary about the value of websites and social media. For example, I chose to use a brochure and a website, and I had a professional help me frame my story and implement my website.

Securing opportunities. Finding and securing opportunities is an important part of implementing the life portfolio. Opportunities most often happen because of seeds planted along the way. As a phased retiree, I have learned that many gratifying pro-bono roles are available and people appreciate good work. It has been much more challenging to get paid consulting work, and the same is likely also true about gaining board appointments.

Measuring life portfolio success.

Choose your measure of success and then how to measure it. As a phased retiree, my life is focused on meeting personal goals. A simple way of deciding if things are working out is to periodically (at least once a year), think about what one has been doing. If a person is doing things they are proud of and happy about, I would call that success.

Time management. Time management during retirement is different than during one's career, but it still requires skill, discipline, the ability to set priorities, and insight about when to say “no.” Regular employment usually provides a defined structure to the week, and retirees who are

involved in different activities have busy schedules. It's important to choose and prioritize, to decide how much time to spend on a project before moving on to the next. It is valuable to have flexibility in our schedules, so that as we meet appealing new people and ideas, we have time to test them out. One advantage of being retired is that we can experiment going down different roads, seeing what we might find.

Overhead. How much overhead is acceptable? For example, I want to avoid pressure to earn a minimum consulting income, so I do not have employees or an outside office. But I find that some professional support is essential, such as tech support, website support, editors, and peers who are available to review articles. Family members and friends have been an important part of my solutions to these challenges.

Sometimes we get diverted from doing what we want to do because of the care and support needs of family members. From my perspective, that is also important. Part of choosing what to put in my life portfolio (or not) is the ability to change priorities when family and personal circumstances change. This can be a very important part of one's life portfolio, and family issues can be the biggest commitment for a long or short period.

HOW ADVISORS CAN HELP RETIREES (WITH THEIR LIFE PORTFOLIOS)

At a minimum, advisors need to pay attention to the following as retiring clients make decisions:

- It is critical that clients do not divert assets needed for living in retirement to supporting a new business or activity. If retirement needs are funded, then surplus assets may be used to support these activities.
- Some people are able to start scaling down gradually at an earlier age than they could afford to retire completely.
- People who want to scale back before leaving paid work in order to explore

LIFE-PORTFOLIO ADVICE FOR CLIENTS

- The first step is a review of your financial situation. If you need more money before leaving conventional work, try to work longer. Don't forget about health-care benefits (especially if you are not yet eligible for Medicare).
- The right answers are personal. It is important to find your passions and choose activities that create value based on your own needs and what creates a sense of satisfaction for you. Don't rush; do be prepared to make adjustments over time.
- When you become independent, you can focus on pleasing yourself and not others, and you have your own voice.
- Keep your spending at a level that lets you make choices. Before spending significant amounts of money, ask the question: What value will this add to my life? A major expenditure may mean limiting your options to reboot or to move to a more interesting but less lucrative role.
- Take steps to maintain your health. Your vitality, longevity, and effectiveness depend on your physical capability.
- If you are part of a couple, remember that your spouse or partner may pass away. Have a plan that will work for you while you are with your partner and later on when you are on your own.
- If your long-term employer offers flexible work options, check them out. Some employers are willing to negotiate phased-retirement arrangements. Don't assume there are no options at a long-term employer.
- Establish your brand and be prepared to communicate it. Do you prefer to be "Me, today" or "Me, former senior executive of XYZ"?
- Think longer term. You may live to age 95, 100, or more. Some activities are sustainable for a few years only. Consider a "portfolio of activities," some of which you can still enjoy if you have limitations.
- Work on your time management skills.
- Pay attention to the details. In retirement, phased or otherwise, you may need to function without your current support structure. Consider how you will handle technology, peer review, contracting, invoicing, protecting intellectual property rights, professional liability, etc.
- Some activities require a lot of vitality. Do them now while you can, because you never know when your limitations are going to arrive.

some different activities face challenges identifying possible paths and projecting future income. An advisor needs to determine how to fit this activity into the plan; considering multiple scenarios may be helpful.

- If a business or activities will generate expenses, these expenses should be factored into the plan.

The advisor can decide whether to go beyond what is needed for a financial plan and assist the client in building a life portfolio. At a minimum, the advisor can help a client with a life portfolio by sharing the "Life-Portfolio Advice for Clients" sidebar, keeping in mind

that the financial plan should consider and support whatever the client's life portfolio contains.

If the advisor plans to provide further help with the life portfolio, then the advisor needs to answer a variety of business questions, such as the following:

- How much help will we provide?
- How will we be paid for our work?
- Do we need to gain additional expertise? Will we partner with others who have some of the added expertise needed?
- Should we provide information about resources to help clients achieve their

goals, evaluate different communities and options, or find support and activities consistent with their life portfolio?

- How do we bring analysis of the life goals and financial goals together?

The advisor's clients may make choices that require them to deal with specific tasks such as contracting, writing engagement letters, protecting intellectual property, managing technology, negotiating with employers or clients, and managing professional and business liability. These are specific issues that someone who sets up a new business or does consulting may face and may need help with. The advisory firm needs to decide whether it will assist with any of these tasks, and if so, whether to provide this support from within, identify outside resources and make referrals, or partner with resources that can offer support. ●

Anna Rappaport, FSA, MAAA, is a phased retiree and chairs the Society of Actuaries Committee on Post-Retirement Needs and Risks. She is an actuary and futurist, and she is an internationally recognized expert on the impact of change on retirement systems, women's retirement issues, and workforce issues. She earned an MBA from the University of Chicago. Contact her at anna.rappaport@gmail.com.

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I wish to thank Michael Kitces for helping me develop and refine the life portfolio idea. This article builds on a February 2019 article published in *Nerd's Eye View*: "Reboot, Rewire or Retire: Personal Experiences with

Phased Retirement and Managing a Life Portfolio," <https://www.kitces.com/blog/anna-rappaport-phased-retirement-life-portfolio-health-people-pursuits-places/>.

APPENDIX—RESOURCES

The Society of Actuaries (SOA) Committee on Post-Retirement Needs and Risks has resources to help people think about retirement. Two publications, *Retirement Health and Happiness* and *Retirement Planning From Start To Finish*, were sponsored jointly with Financial Finesse (<https://www.soa.org/resources/research-reports/2017/2017-retirement-literacy/>). These are the first two in a series of publications designed to help improve retirement literacy. They provide information for people nearing retirement and retirees on aspects of retirement planning that go beyond money.

The SOA supported the Stanford Center of Longevity Sightlines project (<http://longevity.stanford.edu/the-sightlines-project/>). This project examines what is needed for a long and successful retirement. It focuses on three domains of importance: financial resources, health, and social engagement. The ideas presented in this project support the need for adopting strategies similar to those in *Retirement Health and Happiness*.

The SOA Committee on Post-Retirement Needs and Risks also has developed a set of 12 decision briefs to help individuals make a range of decisions as they near and enter retirement

(<https://www.soa.org/resources/research-reports/2012/research-managing-retirement-decisions/>). One of these briefs is about the timing of retirement.

A number of organizations specialize in helping retirees find or develop opportunities. For example, RetirementJobs.com (www.retirementjobs.com), Your Encore (www.yourencore.com), and Encore (www.encore.org) each offer different approaches to the challenges at hand.

A number of educational opportunities are specifically designed for seniors. The Osher Lifelong Learning Institutes (OLLI) are operated at more than 120 campuses in the United States (<https://www.osherfoundation.org/index.php?olli>). My research indicates that many communities offer opportunities. For example, Skyline Village helped me realize that there were several good educational opportunities and other resources within a few miles of my Chicago home. There is an OLLI at a local university; The University of Chicago operates the Graham School of Continuing Liberal and Professional Studies. A large local church has a center for lifelong learning. In addition to local classes, many online classes are available.

ENDNOTES

1. Rand Corporation Brief, "Many Americans Follow Nontraditional Paths to Retirement." Based on research by Peter Hudomist, Andrew M. Parker, and Susann Rohwedder, "Cognitive Ability, Personality, and Paths to Retirement: An Exploratory Study," *Work, Aging and Retirement* (Vol. 4, no. 1, January 2018, pp. 52–66).
2. GAO, "Older Workers: Phased Retirement Programs, although Uncommon, Provide Flexibility for Workers and Employers," Report-17-536 (June 20, 2017), <https://www.gao.gov/products/GAO-17-536>.
3. See Michael Kitces, "Is the Financial Planning Succession Crisis Just A Mirage?" *Nerd's Eye View* (December 3, 2012), <https://www.kitces.com/blog/is-the-financial-planning-succession-crisis-just-a-mirage/>.
4. It is important that assets needed for retirement do not get diverted into starting a small business.
5. Sightlines project from the Stanford Center on Longevity. This project identifies three major components for success in aging: financial, health, and social engagement.

RETIREMENT RISKS AND COVID-19

COVID-19 has increased awareness about the importance of retirement planning and the need to pay attention to a broad range of risks. It does not change the issues raised in this article or for the retirement risks discussed in "Vital Issues for the Post-Retirement Period" (page 7), but COVID-19 makes it more difficult to deal with some of them. The SOA publication "Impact of COVID-19 on Retirement Risks" discusses the relationship between COVID-19 challenges and a range of retirement risks (<https://www.soa.org/resources/research-reports/2020/covid-19-retirement-risk/>).



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