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FOUR STAGES OF RETIREMENT

AND WHY RETIREMENT IS AN EMOTIONAL LIFE TRANSITION

Call us:
866-CREATIVE

Email us:
cpi@creativeplanning.com

Visit us online:
www.creativeplanning.com



Eric Jones

CFP®

Private Wealth Manager

Over the years, I've helped a lot of clients transition to retirement, and I've witnessed how emotionally challenging this life event can be. People's very identities are often defined by their careers, and it can be difficult to let go. There's a certain grieving process that occurs as clients wrestle with mixed emotions and uncertainty about the future. I sometimes liken this emotional process to the stages of grief. Just as there are certain predictable stages that occur with the grieving process, I have observed four emotional stages of retirement:

- 1. Excitement** – This makes sense, as there's a lot to be excited about! You've worked, saved and made sacrifices your entire life, and now is the time to enjoy the fruits of your labor. There's a lot to look forward to.
- 2. Fear** – Once you've made the decision to retire, you may start to worry, asking yourself, "Did I make the right choice?" "Am I financially prepared?" "Will I have enough money to last for the rest of my life?" "How will I stay busy and active?" You may also become more aware of market fluctuations and worry about their impact on your retirement savings.
- 3. Regret** – Feelings of regret often occur when fear becomes overwhelming. This is when you might change your mind and decide to delay retirement for a couple of months, a year or more.
- 4. Enjoyment** – Welcome to the finish line! You've planned, you've saved, you've experienced an emotional rollercoaster, and you've finally able to enjoy all that you've worked so hard to accomplish. Once you're comfortable with your ability to afford retirement and are secure in your new identity, you'll be able to start having fun.

A few things to note about the emotional stages of retirement. First, not all clients go through all stages, and those who do don't always experience them in the same order. Also, it's not uncommon to go backward through the stages and experience each multiple times. For example, you may reach the enjoyment stage and feel great about your retirement until a former co-worker gives you an update on what's happening in the office that makes you regret your decision to leave.

Why do people often follow a similar emotional process when it comes to retirement? Why do people often follow a similar emotional process when it comes to retirement? I believe there are three main reasons:

- **Identity** – Jobs are an important part of our identities. How many times has someone asked you, “What do you do?” and you immediately answer with your occupation? You are many things to many people, but it can take a while to develop a new sense of identity after leaving your career.
- **We’re conditioned to be savers** – You’ve worked hard your whole life to “save for the future,” an abstract point in time many years down the road. Then suddenly, the future is today. It’s not easy to shift from a saving mindset to a spending mindset, so it makes sense that you may feel uneasy.
- **Fear of the unknown** – As with any major life transition, it can be unsettling to enter retirement. Regardless of how diligently you’ve planned for this day, you’ve never retired before, so how can you know what to expect? Market volatility and unexpected expenses may add to your worries. Just remember that you have prepared for this day and a new, exciting phase of life awaits!

In working with clients over the years, I have observed that the most successful transitions include:

- **A retirement identity** – You may find this through church, volunteering, charity work, spending time with grandkids, traveling, a part-time job or any combination of interests and activities.
- **A financial plan** – A financial plan can help you feel confident about the next stage of life and be prepared to make decisions regarding withdrawal strategies, health insurance, investment strategies and more. Put simply, a financial plan can provide you with the peace of mind of knowing you will be able to live securely in retirement.
- **A monthly “paycheck”** – You may have an easier time transitioning from saving to spending mode if you give yourself a monthly “paycheck.” Start by determining how much you think you will need each month and establish monthly transfers from your investment account to your bank account. If your bank account balance increases over 90-120 days, consider paying yourself less each month. If your bank account balance decreases over 90-120 days, you may need to pay yourself more to provide for your desired lifestyle.

As you approach retirement, you may be surprised by the emotions that pop up throughout the

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process. However, I'd like to reassure you that this is a normal part of the transition to financial independence. Just remember, you're only steps away from achieving your dreams!

If you'd like help planning for your retirement, or for any other financial matter, please contact us.

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