

SEE ALSO: Retirement; Retirement, Adjustment to; Retirement, Transition to

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## Retirement Planning

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Retirement planning is the process by which knowledge is acquired and goals for the postemployment period are established so that strategic behaviors can be enacted that are designed to fulfill those goals. Retirement planning can be narrow in scope, involving only one life-planning domain (e.g., financial planning), or it can be comprehensive in nature, encompassing multiple domains. Topics often discussed in the context of retirement planning include: finances, health maintenance, social and interpersonal relations, leisure and recreation, housing, the timing of one's workforce exit, postretirement work (including bridge employment), and generative activities (e.g., volunteerism). And whereas not all individuals engage in structured retirement planning activities prior to leaving the workforce, it has been argued that doing so will help to smooth the transition from work to retirement, provide a reasonable set of expectations of how late life will unfold, and help to ensure an adequate quality of life in old age.

As a life task, retirement planning took on increasing importance in the mid-20th century. In the late 1800s and early 1900s individuals often worked until they were unable to any longer and, accordingly, retirement represented a relatively short period of time. However, during the 20th century in the United States life expectancy increased by 30 years, 25 of which were attributable to advances in the medical sciences and public health (Centers for Disease Control and Prevention, 1999). With the average retirement age

remaining roughly the same over the course of the 20th century, what this meant was that the proportion of time individuals spent in retirement increased dramatically. Not only were individuals living longer, but they were living increasingly healthy lives for 10, 20, even 30 or more years after leaving the workforce. The extended period of time individuals live after leaving the workforce, combined with the multiple benefits typically derived from preretirement planning, provide sufficient justification for most to engage in planning activities well in advance of their exit from the workforce.

From a psychological perspective, engagement in planning prior to leaving the workforce can help to smooth out the work-to-retirement transition. In part, this is because planning provides individuals with expectations of the types of transitions that are likely to occur *within* the retirement period (Atchley, 2000). One example of a within-retirement transition involves the predictable shift from independent living to assisted living, and, ultimately, dependent care. Having a realistic understanding of how changes in retirement are likely to play out allows individuals to avoid uncertainty and negative surprises that can compromise life satisfaction and an overall sense of well-being.

From a social and interpersonal perspective, planning for retirement can involve taking steps to strengthen and maintain existing friendship networks, and reinforce lines of communication with family members and a spouse or partner. The years prior to leaving the workforce can also be a good time to explore the availability of structured activities at senior centers and other community venues. This can also be an optimal time to explore volunteer activities and ways to give back to the community, which have become an increasingly popular way for older adults to spend their time over the past two decades. By planning to engage in social activities with others, retirees can foster a sense of social connectedness, which in turn contributes to an

overall sense of interpersonal well-being and mental hygiene.

From an economic perspective, a pattern of planning and saving over the course of one's career can help establish a suitable retirement nest egg. This nest egg, in turn, can lead to a sense of financial security, independence (i.e., not being resource-dependent upon others), and financial freedom. Knowing the range of expenditures and activities that are financially feasible during retirement helps empower individuals to manage their resources in a sensible manner. In some senses, financial planning is a particularly important dimension of retirement preparation in that it has downstream effects on other aspects of successful aging (Kahana, Kahana, & Kercher, 2003), such as the ability to afford quality healthcare services, proper nutrition, and comfortable housing. For the various reasons outlined above, retirement counselors and financial professionals suggest the transition out of the workforce should not be treated lightly and without a good deal of forethought.

For some, planning for retirement is a comprehensive endeavor that is carried out in a systematic manner, whereas for others it is more limited in scope and carried out in a somewhat haphazard fashion. How it is carried out—that is, whether the planning process is organized and comprehensive, or disorganized and limited—is likely to determine the overall quality of the planning effort. Moreover, the planning process can be guided by a single individual (i.e., self-planning), or in the case of assisted planning, it may be directed, in part, by one or more professional advisors. The types of individuals who are competent to provide assistance and advice in this arena include but are not limited to financial counselors, certified senior advisors, attorneys, accountants, insurance agents, life coaches, estate planners, and workshop or seminar leaders.

In a now-classic article on retirement preparation published in 1989, Ekerdt makes a distinction between *limited* and *comprehensive*

approaches to planning. The former involves a focus on one or two topics, whereas the latter involves consideration of a broader range of late life issues. And although many individuals consider retirement planning to be synonymous with financial planning, in his article Ekerdt includes a table that contains a list of some 31 retirement preparation topics (see Table 1). Although the list was published some time ago, and not all topics are necessarily relevant to all workers, it does capture most of the issues one might consider when planning for the postemployment period.

Procedurally, the retirement planning process involves a number of steps or stages, some of which are carried out in a cyclical manner. Initially, a worker carries out a situation assessment, in which one's current standing is considered in relation to one or more planning dimensions. Next, the individual formulates goals he or she hopes to achieve at some point in the future. Once important goals have been clearly defined, the individual devises a strategy or set of interactive strategies designed to achieve desired goal states. Subsequently, tactical planning behaviors are carried out that are consistent with the strategic plan. As part of the overall planning process, the individual monitors progress toward the desired goal state, adjusting plans and tactics as necessary when indicated.

Despite the many clear benefits of both preretirement planning and planning within retirement, not everyone develops a clear action plan for the future. Studies of preretirement financial planning suggest that 66% of American working adults have saved for retirement, yet a sizeable percentage of preretirees report having no savings and investments whatsoever (Helman, Adams, Copeland, & VanDerhei, 2013). Findings from that same study, which were based on a large nationwide survey, reveal that 57% of working adults have less than \$25,000 set aside for retirement. Other researchers have investigated end-of-life (EOL) health planning practices by examining the percentage of individuals who complete either

**Table 1** A partial list of topics for retirement preparation.

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Social Security and Medicare
Pension provisions
Savings and investments
Daily budgeting
Estimating net worth
Postretirement employment
Second careers
Educational opportunities
Housing
Relocation
Legal considerations
Estate planning
Health insurance
Life insurance
Careful consumerism
Avoiding fraud
Availability of community services
Marital relationships
Family relationships
Eldercare
Psychological aspects of changing roles
Use of time
Volunteering
Recreation and hobbies
Travel
Emotional well-being
Preventive health, health promotion
Medications
Long-term care
Human development and personal potential
Widowhood

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Source: Ekerdt, 1989, Table 10.1.

a living will or a durable power of attorney for healthcare. Incidence rates of planning in this domain tend to be lower than that seen in the financial realm; only 30–40% of individuals over the age of 65 have completed one or both of these legal documents (Su, 2008).

A closer examination of planning incidence rates reveals that certain subgroups of individuals are more likely to plan for retirement than others. These data, like the data cited above, are limited primarily to the financial and health

planning domains. In the financial arena, one characteristic that distinguishes planners from nonplanners is the availability of a workplace saving program. According to Copeland (2011) "being non-white, younger, female, never married; having lower educational attainment, lower earnings, poorer health status, no health insurance through own employer; not working full time, [and working] full year ... were all associated with a lower level of participation in a retirement plan." A study from Great Britain recently found that about half of working adults contribute to an occupational pension plan, whereas only 7% make private pension contributions (Bryan, Lloyd, Rabe, & Taylor, 2011). In general, across a number of investigations, planning and saving for retirement has been linked to being older, male, and white, having a higher income, and being more highly educated. Similar sociodemographic characteristics have been linked to individuals who are active in the health and EOL planning domains (Su, 2008).

On the whole, planning for retirement increases as one draws nearer to the retirement event. In some domains, however, engagement in early planning activities can be particularly beneficial. Take the area of financial planning for retirement, where professional advisors routinely extoll the virtues of early-career saving activities. By doing so, individuals can benefit from the "miracle" of compound interest accumulations that accrue over time. Health is another domain in which individuals often begin planning early—typically in their forties or fifties. Often, planning behaviors are precipitated by a significant health shock, such as being diagnosed with a chronic illness, which leads individuals to step up exercise behaviors, improve their nutritional intake, or begin a regimen of medication. On a different note, one's choice of retirement housing is a topic that usually attracts interest 5–10 years prior to one's departure from the workforce, which is when many individuals find it valuable to take "scouting trips" to establish the suitability of a new form of accommodation or location.

In the area of leisure and recreation, many workers envision retirement as a time to pursue new opportunities. However, research suggests that many individuals end up pursuing the types of activities they found rewarding prior to leaving the workforce (Nicolaisen, Thorsen, & Eriksen, 2012). One reason dreams that surround novel recreational pursuits are often not fully realized is that a relatively small proportion of individuals set concrete goals and take the steps necessary to achieve them. It is important to note, however, that retirement planning is not a task that ends once one exits the workforce. Many of the key issues individuals face when engaged in preretirement planning are equally germane for retirees.

Given the complexities associated with efficiently and effectively planning for retirement, one increasing trend over the past three decades has involved the delivery of professional advice and services designed to help workers make sound financial planning decisions. According to Helman, Copeland, and VanDerhei (2006), nearly half of workers have received some form of financial education in the workplace, which has primarily focused on retirement benefits and planning. According to Quinn (2000), workplace financial education programs for employees over the age of 60 have become a mainstream benefit. Given the requisite focus on finances in these programs, only a handful of employers have broadened the scope of workplace seminars to address other important planning issues, such as the timing of one's exit from the workforce, health planning, and housing options for retirees.

Some have argued that generic workplace preparation programs do not go far enough toward providing the type of individualized assistance workers need to make personally appropriate life planning decisions (Meredith, 2012). Toward this end, individualized investment advice and retirement planning software could be used as an adjunct to workplace programs, which could help workers make increasingly informed decisions based on personal parameters. Others have suggested the need for more specialized intervention

programs, tailored to meet the needs of subgroups of workers who face unique planning challenges. The spirit behind these recommendations lies in the recognition that each worker's situation and future goals are unique, and accordingly will require an individualized comprehensive plan.

## Conclusions

In sum, retirement planning adequacy has become an important societal, occupational, and personal issue in many developed countries around the world. This is particularly the case in countries such as the United States, where the responsibility for quality of life in old age rests with the individual. Consequently, research on the topic has been gaining ground over the past few decades from a variety of academic disciplines. The shared applied goal of this work is to create an understanding of the planning process that is adequate to support effective intervention and counseling efforts for older workers. To the extent that these efforts are successful, future cohorts of working adults can expect to lead increasingly rich and satisfying lives once they leave the workforce.

**SEE ALSO:** Retirement; Retirement, Early Decisions; Retirement, Workforce Aging and

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# The Encyclopedia of Adulthood and Aging

*Edited by*  
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**Volume III**  
**P–W**

**WILEY Blackwell**

This edition first published 2016  
© 2016 John Wiley & Sons, Inc.

*Registered Office*

John Wiley & Sons Ltd, The Atrium, Southern Gate, Chichester, West Sussex, PO19 8SQ, UK

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9600 Garsington Road, Oxford, OX4 2DQ, UK

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*Library of Congress Cataloging-in-Publication Data*

The encyclopedia of adulthood and aging / edited by Susan Krauss Whitbourne.  
volumes cm

Includes index.

ISBN 978-1-118-52892-1 (cloth)

1. Adulthood-Encyclopedias. 2. Aging-Encyclopedias. 3. Life cycle, Human-Encyclopedias.
4. Developmental psychology-Encyclopedias. I. Whitbourne, Susan Krauss, editor.

HQ799.95.E53 2016

305.2403-dc23

2015023990

A catalogue record for this book is available from the British Library.

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Set in 10/12pt Minion by SPi Global, Chennai, India

Printed and bound in Singapore by Markono Print Media Pte Ltd