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Your Life: Living the Retirement Of Your Dreams

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“How much money do I need?” People frequently ask me this question when they hear I’m a consulting actuary who writes and speaks on retirement issues. Until recently, I would give the conventional advice: “You need a retirement income equaling 60-90 percent of your pay just before retirement, and to generate that kind of income, you need a gazillion dollars.” I found that this answer doesn’t work for most people. They simply don’t have the kind of retirement savings needed to replace their standard of living they enjoyed while working.

So, I’ve gone on a quest in search of a better answer. I’ll share what I’ve learned so far, and will point you to some good resources (included in the Additional Resources section at the back of the book) to help you find your answers.

But, back to the original question—now I ask a question in return. “What do you really want—retirement or happiness?” My intention is to trigger some reflection and creative thinking.

I realized that most of us really want happiness and fulfillment in our later years, and we think that retirement is the solution. Various surveys show that about half of all Americans are unhappy with their work, and would quit working tomorrow if they won the lottery. There are a number of reasons why people feel this way—pick one or more that might apply to you.

1. We don’t like our work because:

- We're bored.
 - We don't like our work environment – our boss, our customers, the immediate surroundings, etc.
 - We're tired of the commute and daily grind.
 - Work keeps us from things that we really want to do, and so on.
2. We're used up—we might have poor health and can't continue working.
 3. Our culture sends us powerful messages—that retirement is the right way to finish our life, that we're being cheated out of life if we can't retire.

So, *not working* is the ticket to happiness and fulfillment, right?

Well, not so fast. I'm taking a deeper look in my quest.

Moving Beyond 'Not Being Unhappy'

First, there are two aspects to being happy and fulfilled:

1. Not being unhappy, and
2. Finding what makes you happy and fulfilled.

You might ask, "What's the difference?" There's a big difference—we might have different items on each list. If work makes us unhappy and we stop working, then all we've done is remove our source of unhappiness. We haven't found what makes us happy and fulfilled. However, I don't want to diminish the importance of removing our sources of unhappiness. It's a good first step, but we're not done.

The trouble is, many of us don't think much beyond *not working* when we plan our retirement. That's when we run into problems. The most successful retirees retire *to* a life that is rich with good relationships and activities; they think well beyond retiring *from* work.

Items on the *not-being-unhappy* list include mitigating or preventing the following:

- Poor relationships with friends and family
- Things going poorly for the important people in our lives
- Not having enough money to meet our basic needs
- Poor health
- Boredom and loneliness
- Not being useful or needed
- The perception that others have more than we do, and/or
- The feeling that we've been cheated out of life or have been treated unfairly

Challenges specific to retirement include the lack of social contacts provided by work, and the unrealistic reliance on our spouse to fulfill all

our emotional needs (translated: too much time with our spouse).

Any one of these things can make us unhappy. However, once we remove the source of unhappiness, we may take it for granted. Health is one example. I'm certainly unhappy when I'm sick, and I'm very happy when I recover—for awhile. Then, as time progresses, I take my good health for granted. Being healthy is no longer a source of happiness. I don't wake up every morning saying 'thank goodness I'm healthy.' (However, one school of thought urges us to count our blessings frequently, and research shows that this act will make us happier.)

Many chapters in this book focus on generating financial security—having enough money in retirement. Clearly this is necessary to avoid unhappiness about money, and is an important part of our life plan. But, by itself, this won't make us happy and fulfilled.

So, it's important to mitigate, avoid or prevent things that make us unhappy. But now let's move beyond this, to the second aspect of happiness and fulfillment that I mentioned previously.

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It's important to focus on what will make you happy and fulfilled in your later years, and then build the financial resources to support the life you want. These financial resources can include all the things discussed in this book—401(k) and IRA accounts, pensions, Social Security—but they can also include income from continued work.

First, let's give a definition. When I say happy and fulfilled, I'm not talking about the good feelings that come from going out to eat, watching a good movie, or buying something you really want. The psychologists call this moment-to-moment happiness, which is different from deep satisfaction with life. Here's one example of this. If you ask a young parent who is up at midnight with a sick child if they are happy at that moment, you might get an angry stare. But, that same parent might say that raising a child is one of the most enjoyable and meaningful things they are doing with their life.

In retirement, most of us want a healthy balance of both moment-to-moment happiness and deep fulfillment with life. Our culture focuses mostly on moment-to-moment happiness. TV, radio, and print advertisements tell us that

we'll be happy if we take the exotic vacation, play golf, and buy lots of stuff. However, this leaves most of us with empty feelings if that's all we do.

What Makes You Truly Happy?

It turns out that psychologists and social researchers have spent a lot of time recently researching what makes people happy and fulfilled. More specifically for our purposes, they have focused on the question “does money buy happiness?” We can get valuable insight from this research that will help us answer the original question—“How much money do we need?”

Research¹ shows that the following makes us happy and fulfilled:

- Having good relationships with family and friends, and healing issues that need healing.
- Pursuing our passions, interests, hobbies.
- Doing our life's work. Many of us find deep satisfaction from working on a challenge.
- Being productive and engaged with life. Applying our skills and experience in a way that is consistent with our interests and values.
- Continuing to learn and grow.
- Appreciating beauty in the world—art, music, the outdoors.
- Contributing to the greater good of our community, country or the world—something larger than ourselves. Creating our legacy.

Which of these resonate with you? How much money do we need for these things?

With respect to happiness and money, a number of studies² show that if we don't have enough money to meet our basic needs, then we might be unhappy. Adding more money does increase our happiness. But once we meet our basic needs, adding extra money doesn't add much to our happiness, as we mentioned earlier.

So here's one answer to the “how much money do we need” question—just enough to meet our basic human needs.

But, how do we define these basic human needs? Some people would say it's a roof over our heads, safe environment, necessary medical care, and food on the table. Millions of people around the world would be quite happy with just this. Many Americans would classify items as necessities that others around the world would call luxuries: cars, TVs, a nicely furnished house, and cellphones are all examples.

¹*The Dubious Rewards of Consumption*, by Alan Thein Durning, the *New Renaissance Magazine* Vol. 3, No. 3; *How Much is Enough?* The Consumer Society and the Future of the Earth (WW Norton & Company, 1992); 2005 Happiness Study, GfK Roper Reports Worldwide Survey; Survey, August, 2006 edition of *Money Magazine*; Can Money Buy Happiness?; CNNMoney.com, July 18, 2006.

²Survey, August 2006 edition, *Money Magazine*; Can Money Buy Happiness?; CNNMoney.com, July 18, 2006; also appears in *The Good Life and Its Discontents*, Robert Samuelson; *Authentic Happiness*, Martin Seligman (Free Press, 2002)

Here's where the research provides more fascinating insights. It turns out that most people's happiness with respect to money and consumption is *relative*.³ That is, if we have about as much money and stuff as our peers, then we're happy; however, if we feel like others have a lot more than we do, we're unhappy.

One study reported in *Psychological Science in the Public Interest* magazine, shows the respondents from the Forbes list of the 400 richest Americans and the Maasai of East Africa were almost equally satisfied and ranked relatively high in well-being. Some people might think this is proof that money and consumption don't buy happiness. However, what it really shows is when a typical Maasai compares himself or herself to peers, they feel about the same as when a wealthy American does the same. Most Americans would be unhappy with the Maasai lifestyle, but if it's what everybody else has, then life's not so bad.

I found another body of research⁴ that illustrates this phenomenon. Americans report themselves to be about as happy today as they were 10, 20, 30, 40 and 50 years ago. But we consume five times as much stuff today as 50 years ago. Back then, people managed to be happy without the latest car, TV and DVDs, cellphones, computers, the Internet—things we take for granted today. Consuming more hasn't added to American's reported happiness.

So what does all this prove? That it is *possible* to be happy with not much stuff—the problems come when we compare ourselves to others, or compare our current situation to the past.

Now, let's turn to working during our later years.

Working in Retirement – Oxymoron or Good Idea?

I found some interesting insights in something as mundane as a mortality study conducted by the Society of Actuaries.⁵ First, it looked at death rates among healthy men between ages 50 and 70. The men who were working had about half the death rates of men who weren't working. The effect was there for women, but not as pronounced.

What's going on—why are workers healthier and living longer? Is this causation (work enables us to be healthier) or correlation (it's just a coincidence)? I looked deeper and found a few studies⁶ that weigh in on the

³ The Dubious Rewards of Consumption, Alan Thein Durning, *New Renaissance Magazine* Vol. 3, No. 3; *How Much is Enough? The Consumer Society and the Future of the Earth* (WW Norton & Company, 1992), this article cites several studies supporting this phenomenon; *Relative Income and Happiness: Are Americans on a Hedonistic Treadmill?* Glenn Firebaugh, Pennsylvania State University, Laura Tach, Harvard University; Can Money Buy Happiness?, CNNMoney.com, July 18, 2006; *Psychological Science in the Public Interest*, September, 2004

⁴ IBID; Can Money Buy Happiness? CNNMoney.com, July 18, 2006; *Psychological Science in the Public Interest*, Fall, 2004; The Keys to Happiness, and Why We Don't Use Them, LiveScience, February 27, 2006; *Authentic Happiness*, by Martin Seligman (Free Press, 2002)

⁵ Society of Actuaries RP-2000 Mortality Study

⁶ Individual Consequences of Volunteer and Paid Work in Old Age: Health and Mortality, by Ming-Ching Luoh and A. Regula Jerzog, *Journal of Health and Social Behavior* 43 (December 2002); Dog Aging and Cognition Project, University of Toronto and University of California; *Successful Aging*, by John W. Rowe and Robert L. Kahn (DTP Health, 1998); *Aging Well*, by George Valliant (Little, Brown and Company, 2002)

causation side. Actually, what I found is that people who are actively engaged with life—who have powerful reasons for getting up in the morning—are healthier and live longer. Working can provide this engagement in life, but other activities can provide this as well.

Another aspect of the mortality study looked at income levels and mortality. People between ages 50 and 70 who had incomes above poverty levels had significantly lower death rates than people with incomes below the poverty level. This is consistent with other findings reported in this chapter—people meeting their basic human needs.

All this tells me that working in our later years isn't the curse that our culture portrays. It might not be so bad if it keeps us engaged in life and provides sufficient income to meet our needs. And it might get us health insurance through our employers—a valuable bonus!

This leads me to what I call the part-time math.

- Conventional wisdom on an adequate retirement income is 60% to 90% of our pay just before retirement. Well, if we work three days a week, that's 60% of our full-time pay, and four days a week is 80%. Maybe we should try working part-time to see if we can live on this conventional wisdom, before retiring completely. If we can't live on this income, maybe we're not ready for retirement. However, we might find this works just fine.
- For full-time workers, we spend five days per week getting ready for work, commuting, working, and recovering at the end of the day. We have two days left to ourselves. One of these days is typically spent on chores and errands. We really only have about one day to pursue our interests and passions. If we only work four days a week, we double the number of days to pursue our interests, and if we only work three days a week, we triple these days.

I've talked with a number of people who are working part time in their later years, and they say that they can see themselves living this way indefinitely. They have a sustainable life—one without a finish line. Many working Americans have a finish-line mentality—they're hanging on until the day they can retire and finally be happy. But if they take a realistic look at the financial resources needed to cross the finish line, the line gets pushed back many years. A source for unhappiness! Why not create a sustainable life *now*?

A Realistic, Healthy Life Plan

Let me put this all together for a healthy, realistic life plan. Here is a sample you can use as a personal template:

- I'll look for part-time work to bring in just enough money to meet my needs, when combined with my financial resources. I'll find work that I

like, a safe working environment, respect from my peers and supervisors, social contacts, and the opportunity for continued learning and growth.

- I'm writing my own story about what makes me happy and fulfilled. I'll turn off the TV and tune out messages from our culture that don't work for me. Buying lots of stuff doesn't make me happy. TV ads intentionally try to give me the feeling that everybody else is buying their stuff, and I'm left out of the 'in' crowd if I don't go along. Bah! Instead, I'll build good relationships with family and friends, take care of my health, look for ways to be productive, and take the time to appreciate beauty in the world.
- If I do spend money on consumer items, I'll look for things that bring people together—that enhance my relationships with family and friends.
- I won't compare what I have to what others have. I'll make sure that many of my peers are in the same boat. Being surrounded by people who have more stuff than I have is a ticket to misery. If I'm fortunate enough to have more than others, instead of being a source of envy, I'll share my good fortune and spread the wealth to help family, friends and community.
- Everybody has a history of emotional wounds and unfairness. Some of these can be quite painful, and need the proper acknowledgement and respect for healing. However, if I dwell on these, I'll only perpetuate my misery. Instead, I'll learn what I can, move on with my life, count my blessings, and nurture a positive attitude. I'll heed Abraham Lincoln's words—"Most people are as happy as they make up their minds to be."
- I'll work on my legacy to my children, friends, family, community, and the world.

With respect to this last item, I found a powerful exercise in a good book—*A Primer in Positive Psychology*,⁷ by Christopher Peterson. It urges us to write our own obituary—and then live up to it. Try it!

Not only will this life plan give you a good chance for happiness and fulfillment, it has financial implications as well. Medical and scientific research shows that your physical health is affected by your emotional health. Also, diet, exercise and stress management significantly affects your physical health. You'll spend less on medical bills if you're happy and take care of yourself. Continued learning is an effective way to stave off dementia and Alzheimer's disease in your later years. And, you'll need good health if you want to continue working part time. So, investing in your happiness and health is an important part of your financial plan!

All of this might sound great, but it's easier said than done. Many of

⁷ 2006, published by Oxford University Press

us need to change lifelong living habits, and it doesn't happen overnight or without effort. Facts and figures give insights that help, but that's not enough to motivate you to change. Building a positive image of a great *rest-of-life* is a powerful motivator. Pay attention to the good emotions, feelings and experiences that you want. It works better than fear of a lonely, unhealthy retirement, although a little fear can also be a healthy motivator. Another great help is to talk with friends and family who are facing the same challenges. It helps to hold hands and do it together!

Now Is The Time...

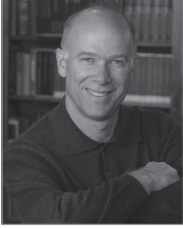
As you read in other chapters of this book, it takes time and effort to create the financial resources needed for a happy retirement. You need to invest an equal amount of time, effort and money into your health and happiness—it doesn't happen automatically.

We have strong, human needs to fit in, to be social, to love and be loved, and to be productive. These needs don't stop at retirement. In fact, they can increase in importance, particularly if we've neglected these needs in our past.

Now is the time to take care of ourselves, our family and friends. It's our time to take care of unfinished business, to do what calls to us. If we're feeling used up by work, the answer isn't to become useless, but instead look for continued ways to be useful. Find those powerful reasons for getting up in the morning.

Do I have a better answer to the original question? I think so. I'll build just enough financial resources to support the life that's best for my happiness, health and wealth. And I hope you can do the same. Otherwise, you better start working on saving your first gazillion!





Steve Vernon integrates two practices with his *rest-of-life* writing, seminars and workshops, which creates a holistic approach, 1) 31 years of financial analysis and research as a consulting actuary, including two books on retirement issues; and, 2) 15 years studying human potential, including attaining a 3rd degree black belt in aikido.

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Steve is one of the most sought-after retirement experts in the country, and is quoted frequently in leading magazines and newspapers. He is an experienced speaker, with more than 220 presentations, keynote addresses and workshops on his books *Don't Work Forever!* and *Live Long & Prosper!* Steve graduated summa cum laude from the University of California, Irvine, with degrees in mathematics and social sciences. He lives in Oxnard California and can be reached at steve.vernon@restoflife.com.

