

Retirement – what's your game plan?

The BMO Wealth Institute provides insights and strategies around wealth planning and financial decisions to better prepare you for a confident financial future.

Life is all about transitions, like graduation, starting a family, changing jobs, moving to a new home, raising a family, and eventually, retirement. While many of us successfully negotiate these transitions, retirement often poses the greatest challenge.

When an elite athlete retires from competition, it's often the result of a career-ending injury or being cut from the team.¹ In 2015, three Canadian women's international hockey players announced their retirement from the game, after winning a total of 20 Olympic and World Championship gold medals among them.² Their international hockey careers spanned from 9 to 17 years, which is far longer than most other elite athletes are able to achieve. The average professional hockey career only lasts 5.5 years.³

While these Canadian women's hockey stars enjoyed exceptional careers, they had little opportunity to prepare for the transition to life away from the spotlight. They were able to move forward with education, but had limited experience outside of hockey to build on for the next chapter in their lives.

During an athletic career, almost all attention is focused on physical activity and development, nutrition and the mental aspects of their sport, leaving little time to develop the social skills, self-esteem, resiliency and coping strategies needed to adapt to future lifestyle changes. A lack of transition planning and support services have been identified as significant contributors to the difficulty that many athletes experience transitioning to their next career after retirement.⁴

The issues that many elite or professional athletes face on retirement are actually no different from those the rest of us experience at our retirement – they just face these challenges at a much earlier point in their lives. On retirement, they often feel an initial sense of loss, followed by a period of re-orientation, then growth, and later, adaptation to their changed situation. Karina LeBlanc, a recently retired Canadian Olympic soccer bronze medallist summed it up best by saying [When you decide to retire, you're like 'What am I going to go after, what is next?'](#)⁵ The fact is that most of us (who are not professional athletes) have longer working careers and therefore have the luxury of more time to prepare for retirement – assuming that we start early, give it some thought, and save for it.

Why do we retire?

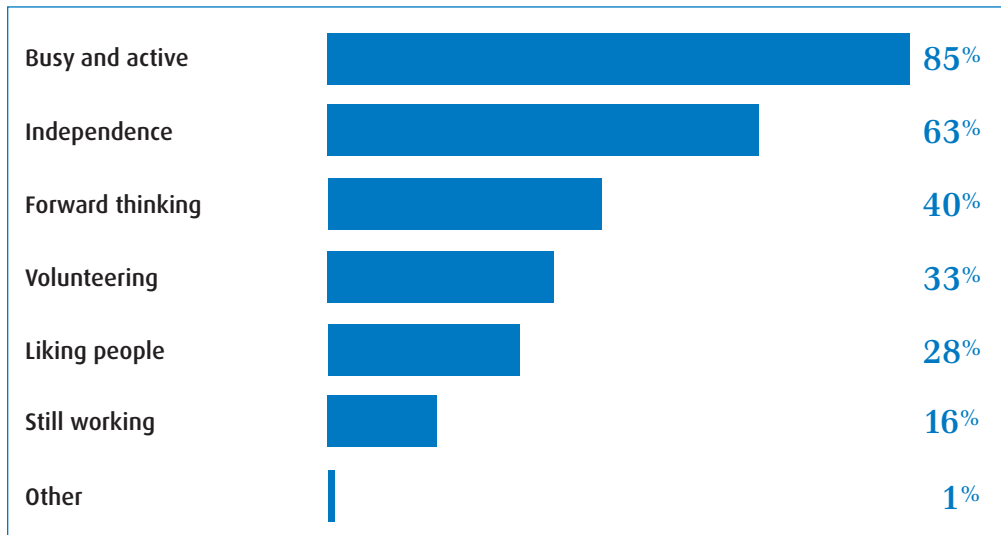
Life is about transitions, and like professional athletes, we go through many life transitions. These may include graduation, starting a family, changing jobs, moving to a new home, raising a family, and eventually, retirement. Retirement is really just another chapter in the story of our lives. We have successfully dealt with many transitions already, and retirement can simply be viewed as the opening of the next chapter.

The BMO Wealth Institute commissioned a study to look at the concerns, opinions and attitudes that Canadians have about retirement.⁶ When asked how much thought they put into the non-financial aspects of their retirement, 64% said they gave it at least some thought. They also felt that having a positive attitude or mindset towards being busy, active and independent are some of the most important factors found in satisfied retirees.

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Attitudes or mindsets most likely found in satisfied retirees

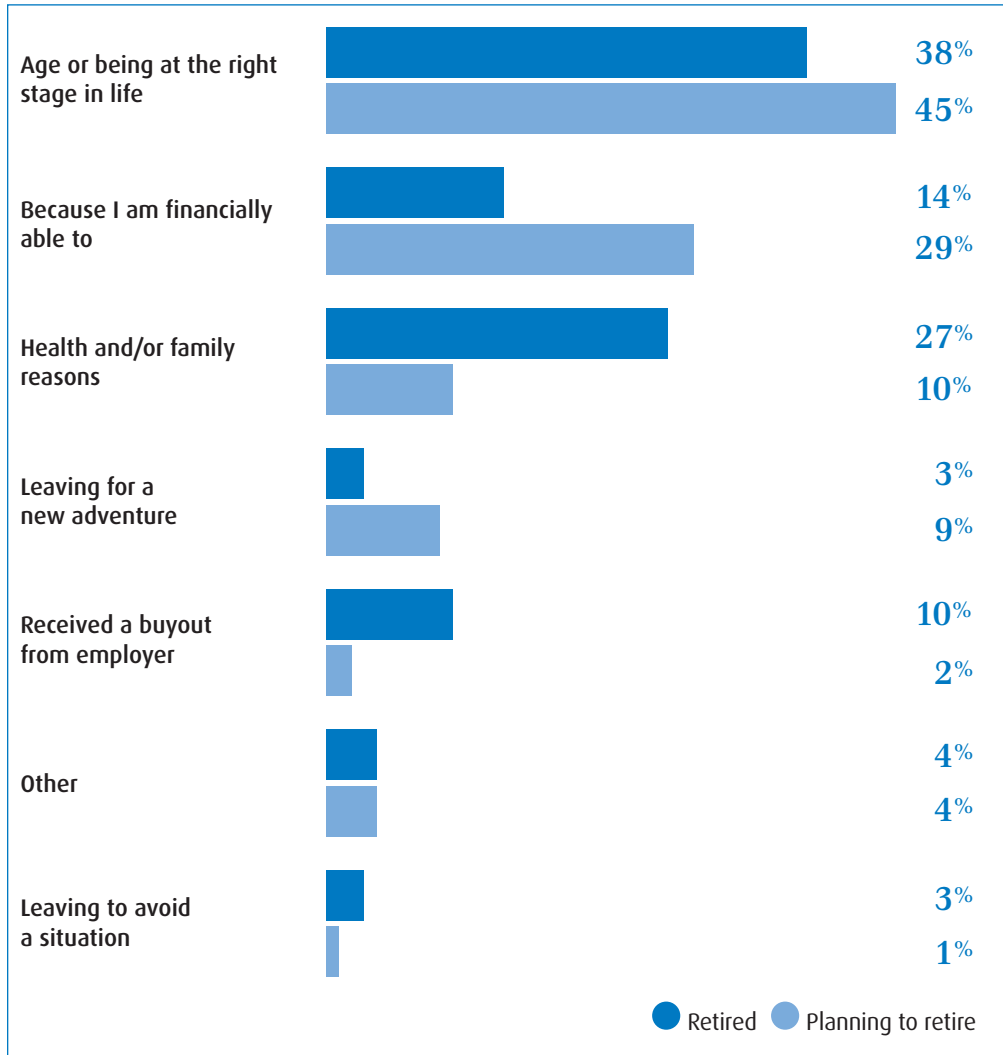


Source: BMO Wealth Institute survey by Validatelt Technologies Inc., January 2016

There are many reasons why people move into retirement, but most respondents in this survey said they retired — or will be retiring — on their own terms. The study found that the most common reasons for retirement given by respondents overall were their age or being at the right stage of their life (42%), and being financially able to retire (23%). However, there are some notable differences in the reasons for retiring between the already retired and those still planning to retire. Unsurprisingly, for retirees, health and family reasons ranked second on the list (27%), above being financially able to retire (14%), and followed by receiving a buyout from the employer (10%).

Top reason for retirement was **age, or being at the right stage of life.**

Main reasons for retirement based on retirement status



Source: BMO Wealth Institute survey by Validatelt Technologies Inc., January 2016

These results amongst the retired are consistent with larger studies in the United States that indicate that health concerns and involuntary retirement as a result of layoffs are the two main factors associated with an earlier retirement.⁷

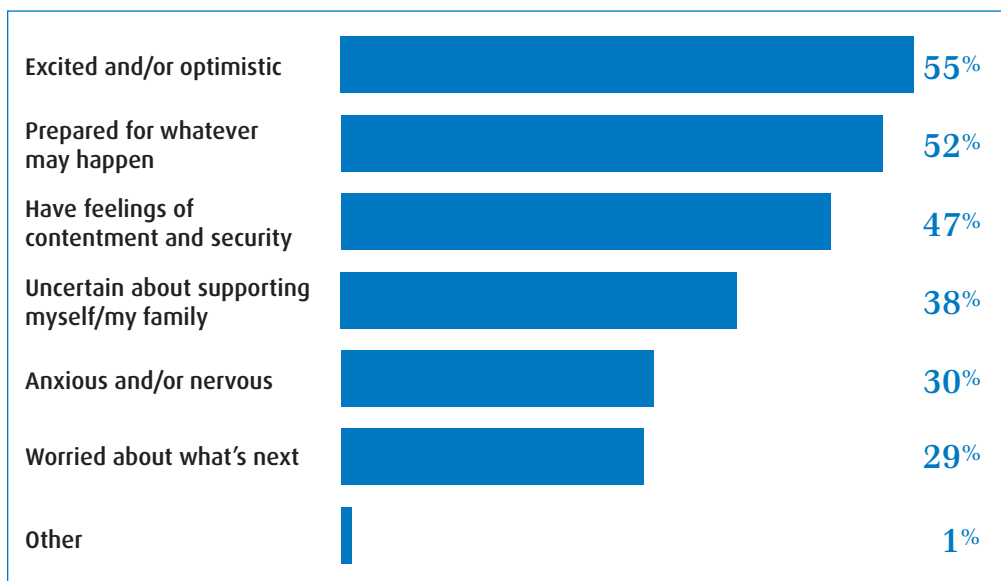
Be prepared for the possibility of an early or unplanned retirement date.

When do we retire?

The average age at which Canadians retire has slowly been increasing over the last two decades. In 2014, Statistics Canada estimated that the median age of all retirees was 63.3 years, while in 1995 it was 62.0 years.⁸ The 2014 figure comprised a wide range of ages, and showed that public sector employees retired at a median age of 60.3 years, private sector employees at 64.0 years and self-employed individuals at 65.8 years.⁹ The majority of respondents of the survey who were already retired were between the ages of 55 and 64.

When asked how they felt about the life stage of retirement, the majority of respondents exhibited excitement and optimism (55%), preparedness (52%), and confidence with feelings of contentment and security (47%).

Feelings about the life-stage of retirement



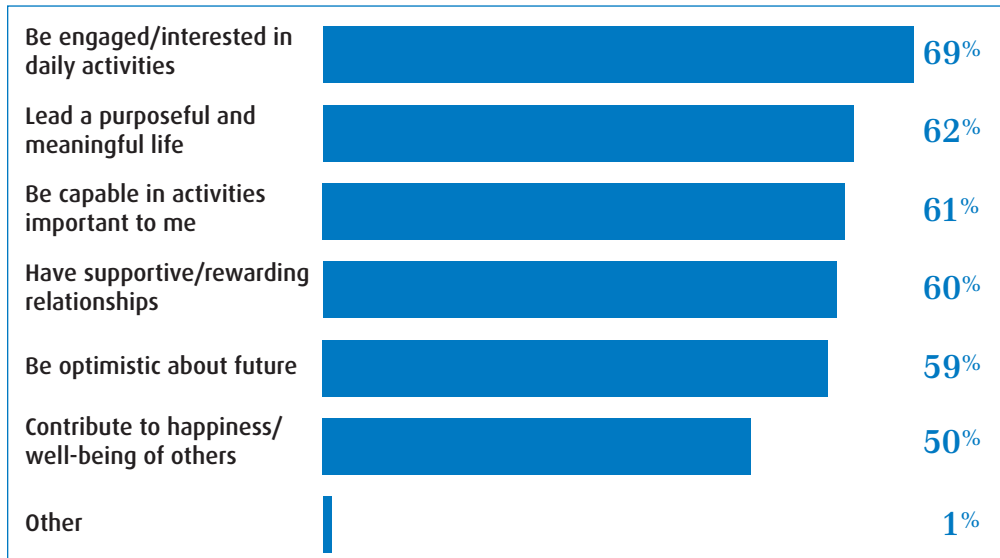
Source: BMO Wealth Institute survey by ValidateIt Technologies Inc., January 2016

The majority feel **excited, optimistic, and prepared** for the life stage of retirement.

How to retire successfully

Retirement is not an everlasting vacation, and is much more than just not going to work the following morning. Survey respondents were asked which personal attributes help with the transition into a successful and fulfilling retirement. Most picked being engaged or interested in daily activities as the most influential attribute (69%), followed by leading a purposeful and meaningful life (62%) and being **capable in activities important to me** (61%), indicating a belief by many in the importance of having a positive outlook toward the future.

Attributes that help retirees transition into retirement



Source: BMO Wealth Institute survey by ValidateIt Technologies Inc., January 2016

Building on the need for a positive attitude, [Dr. Amy S. D'Aprix, MSW, PhD, CSA](#), an internationally renowned expert on lifestyle issues related to aging, tells us that the three keys to a successful retirement are **purpose**, **people**, and **perspective**.

Purpose Having a sense of purpose is a key factor, and is best explained by that need or drive for something to get you out of bed in the morning. That purpose gives your life a sense of meaning. Your sense of purpose can be enhanced by assessing your life and focusing on what matters to you now, and what you excel in or thrive in doing.

People It's human nature to be social, and social support has many components; the most important of which are emotional or relating to companionship, and tangible (such as practical assistance with day-to-day needs). Many studies have found clear evidence that having positive and nourishing social interactions is linked to better health. Studies have also shown that strong social relationships have similar health and longevity benefits to well-known interventions like cutting out smoking, becoming physically active and eliminating obesity.¹⁰

69% say that being **engaged or interested in daily activities** is an important factor in transitioning to retirement.

The **three keys** to a successful retirement are **purpose, people, and perspective**.

Despite the importance that research attributes to having strong social connections, the BMO Survey indicates the least acknowledgement amongst respondents of this critical factor. When respondents were asked to select the most important factor in adjusting to life in retirement, the survey results indicated a strong belief in the importance of having good health (79%) and having finances in order (79%), followed by having a positive attitude or mindset (51%), and maintaining a sense of purpose or meaning (50%). The following table also shows that survey respondents listed having enough social connections (28%) below the ability to adapt to change (34%).

Factors that help with the adjustment to life in retirement



Source: BMO Wealth Institute survey by Validatelt Technologies Inc., January 2016

According to Dr. D'Aprix, social support is key to aging well, both from a physical and mental standpoint. She also comments that:



It is so important to build social connections and make friendships as you grow and live your life. You have to deepen current relationships, and invest time and effort to make new ones.

Perspective is about having a good attitude towards your future. Having a belief that you can succeed, often referred to as self-efficacy, is very important. A positive perspective is an important factor in building resiliency in retirement. Resilience is the ability to recover quickly from a difficult situation, and having the internal strength and toughness to rise above any challenges. Having confidence in oneself is an important contributor to resilience. In fact, confidence, when combined with financial learning, helps a person to make more informed and beneficial financial decisions¹¹ that can contribute to a successful retirement regardless of the challenges faced.

Most Canadians believe that **having a positive attitude or mindset** is an important factor in adjusting to life in retirement.

Social interaction is under-rated and is often overlooked or taken for granted. It should be a priority for all as far as retirement is concerned.

Dr. Amy S. D'Aprix MSW, PhD, CSA
BMO Life Transition Expert

In the survey, the biggest challenges about living in retirement were running out of money (67%) and serious health problems (66%), followed by not having a sense of purpose (42%). When it comes to what to expect in retirement, the question **What is next?** is asked not only by elite athletes, but also by the majority of people entering this chapter in their lives. For many, Dr. D'Aprix believes, the best way to find the answer to this frequently asked question is to actively plan for this transition.

Going from strength to strength

Another secret to success for many retirees is leveraging the many strengths and skills developed in their working years to contribute to an enjoyable and meaningful retirement. For many this will mean starting to plan for retirement and laying out a foundation for success well before retirement occurs. Getting involved with volunteer work before retiring may require some trial and error to match your skills and interests, but can help set you up with a fulfilling volunteer role in retirement. However, as noted earlier, retirement will bring on new challenges – many health-related – and managing those challenges, remaining positive, and turning challenges into opportunities will foster a meaningful and successful retirement. A successful wealth management consultant described a couple who enjoyed their retirement and partnered a new physical disability with existing skills to help others:

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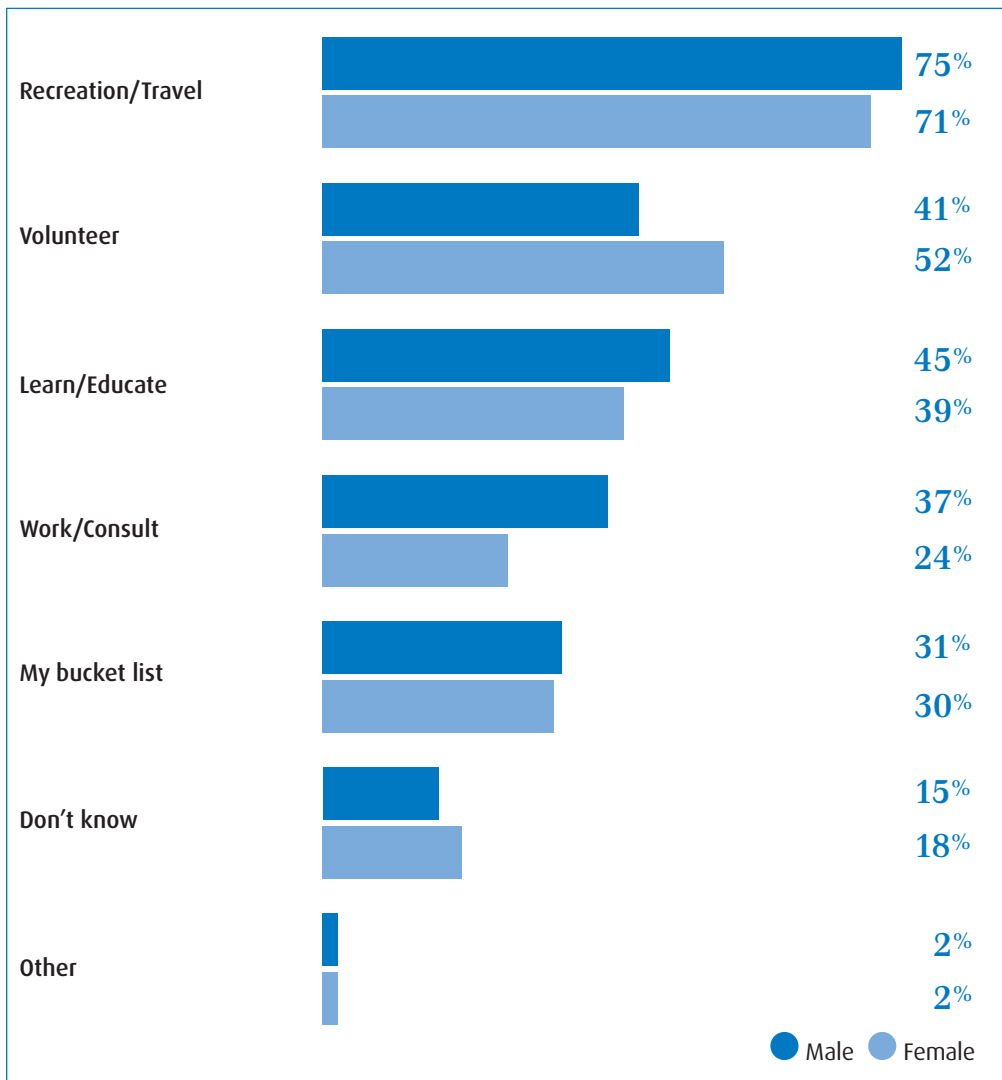
When Betty Sobkowich first developed signs of vision loss, she went to the Canadian National Institute for the Blind (CNIB) for help. That's when a CNIB staff member discovered her passion for dance – and asked her if she would share her talents with others. There was no hesitation – Betty and her husband, Vic, had always danced together and she knew that regardless of vision loss, they would always continue. She said yes right away and shortly thereafter the CNIB Dance Troupe was born.¹²

The most successful people about to transition into retirement are those who give thought to the question 'What will I do after leaving work?' because planning in advance makes this transition easier.

Dr. Amy S. D'Aprix MSW, PhD, CSA
BMO Life Transition Expert

One way to leverage the strength of past experiences is by focusing on the things that we can control. Something we do have some control over is what we plan to do in retirement. The survey results revealed that the majority of respondents (73%) would seek recreation or travel, and many would volunteer (46%), learn/educate (43%), work/consult (31%), or pursue their bucket list (31%). However, the results indicated some differences between genders; most notably that woman are more likely to volunteer, and men are more likely to work or consult.

What do men and women plan to do in retirement?



Source: BMO Wealth Institute survey by Validatelt Technologies Inc., January 2016

A recently widowed retiree took up golf and became quite skilled, and would golf a few times a week. She was very active in her daughter and grandchildren’s lives, and also spent a few winter months in Mexico, where she developed terrific friendships.

One couple identified numerous bucket list goals, and began to tackle them on retiring. They had so much fun challenging themselves to meet these goals and checking off their bucket list items.

Anonymous retirees

Another area we can control is how we prepare financially for retirement. Yet putting the steps in place to achieve our retirement goals is not always easy. According to Harvard psychologist [Dan Gilbert](#) in his 2014 [TED Talk](#):



We find it hard to imagine who we're going to be, and then we mistakenly think that because it's hard to imagine, it's not likely to happen.¹³

For some of us, this type of innate thinking may delay saving for the retirement that we envision. Gilbert also asks, [Why do we make decisions that our future selves so often regret?](#)

Have a game plan for your life transitions

Preparing for the next chapter in life requires both a plan and resources to find the solutions that work. The Canadian Olympic Committee has realized the importance of preparing elite athletes for a future outside of sport. In September 2015, it announced the launch of [Game Plan](#), a program that will help to address athletes' career and personal development needs.

For you to successfully transition into retirement with confidence and the necessary resources, it is also important to put a game plan together. Time and attention should be invested so you can [Take Charge of Your Retirement](#)[®]. Your planning should help you to answer many of the most important questions, including:

Who do you picture yourself with in retirement?

What do you see yourself doing in retirement?

Where do you plan on living when you retire?

How will your health impact your retirement plans?

Some of these questions will not be easy to answer, but with the assistance and resources of a financial professional it will be possible to picture the details of your planned retirement. Financial preparation is a key component in making an effective transition to retirement. What would happen to your retirement plan if you became injured or critically ill and could not work full-time, or at all? Dipping into your retirement savings could derail your retirement plans. Disability insurance can cover your basic household expenses, but consider purchasing a critical illness insurance policy to cover the extraordinary expenses you would undoubtedly incur during your recovery period from such injury or illness.

For a retirement plan to be robust, it is necessary to understand your cash flow requirements and to ensure that there are sufficient resources available to cover both day-to-day expenses and funding for larger goals. Longevity risk – the fear of outliving retirement income – is a key concern for retirees. Do I have enough money if I survive to age 95 or even 100? Registered retirement income funds offer flexibility, and life income annuities offer a fixed income for life.

Have a **game plan** to successfully transition into retirement.

For most Canadians, pre-retirement investment strategies evolve, becoming more conservative as retirees seek higher potential returns from the market while keeping capital preservation top of mind. A financial professional can help you determine the right investment strategy and the appropriate investments for you. There are many actively managed and diversified portfolios to choose from. Your investments will likely be a combination of tax-advantaged retirement savings accounts or pensions, annuities, and regular investment accounts. Determining how to allocate your investments between these various types of accounts can help reduce your taxes and maximize the amount of income available for your retirement.

For Canadians with more sizeable assets, retirement raises concerns about estate preservation and management. How can I reduce taxes and maximize the legacy value of my estate for my beneficiaries? Do I have a plan for keeping the cottage in the family? One strategy is to transfer some of your assets into a universal life policy. These assets, along with any investment income earned and death benefits, are passed on to your beneficiaries tax-free. It's a tax-efficient approach to preserving assets for the next generation or ensuring that they have the cash to cover the cottage's estate taxes.

Retirement means different things to different people

Not everyone looks at retirement the same way, especially those that are self-employed.

Activist investor [Carl Icahn](#) was recently asked about the possibility of his own retirement in an interview. He replied:



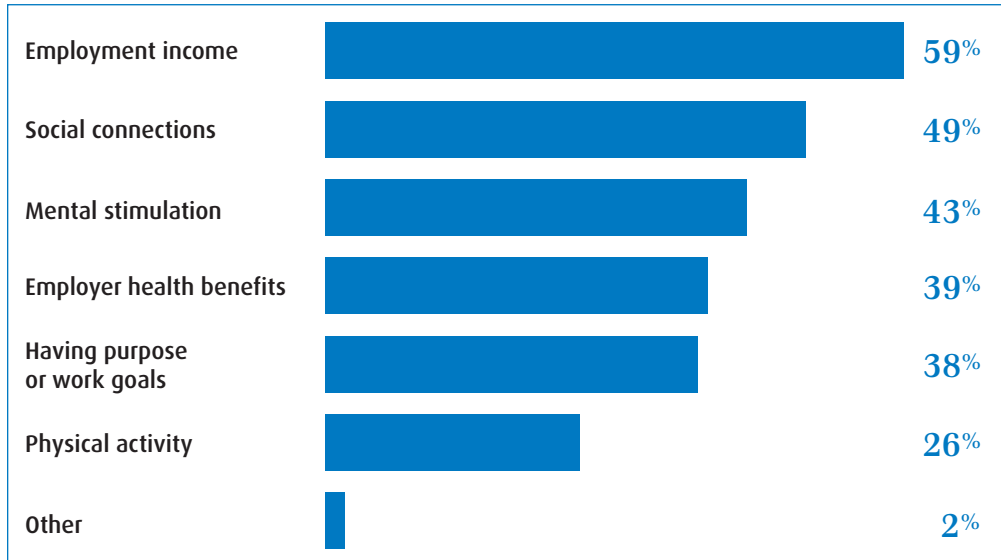
What else would I do – play shuffleboard? ... As long as you keep thinking [you can make money].¹⁴

Retirement can be seen as the next chapter in your life, or – in work terms – as your next role. It does not necessarily have to be the end of your working life. Working after exiting a career or continuing to work into retirement can also help to fill the financial void once retirement starts. The BMO survey identified employment income (59%), social connections (49%), and mental stimulation (43%) as the top aspects of working missed most in retirement.

A new definition for retirement is the time when you can do what you want – when you want.

Dr. Amy S. D'Aprix MSW, PhD, CSA
BMO Life Transition Expert

What will retirees miss most about their working life?



Source: BMO Wealth Institute survey by ValidateIt Technologies Inc., January 2016

Working after leaving a career role can help with the financial aspects of retirement, especially if there is room to continue saving to meet your financial goals in retirement. The development of a financial plan, with the assistance of your financial professional, can help you best decide how to plan for and meet your future financial needs.

Freedom, or is it something else?

When asked what retirement meant to them, survey respondents had many answers. These included resigning from a principal career (46%), eligibility for employer or government pension (37%), being a certain age (35%), permanently stopping working (35%), and achieving financial independence (34%). Most notably, a large proportion of those asked (62%) also noted that retirement means **freedom** to them. The notion of freedom is even more prominent among the already retired, with more than two-thirds of respondents (68%) ranking it at number one.

Freedom is also about living life in retirement on your own terms. Richard Branson, the founder of Virgin Group, is now aged 65 and **can't retire because he doesn't regard his day job as actually working**.¹⁵

For most Canadians, retirement means **freedom**.

It is important to discuss your situation with your financial professional, who can work with you and other professionals to help you plan a retirement that meets your individual goals. By working together with your BMO financial professional it is possible to move forward with greater financial security and peace of mind throughout your retirement.

Footnotes

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- ² Trio of players announce retirement from Canada's National Women's Team. Hockey Canada website, September 10, 2015. www.hockeycanada.ca/en-ca/news/nwt-players-announce-retirement-
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- ⁵ Team Canada and partners announce Game Plan to help athletes. Hossain, A. Canadian Olympic Team website, September 24, 2015. <http://olympic.ca/2015/09/24/team-canada-and-partners-announce-game-plan-to-help-athletes/>
- ⁶ BMO Wealth Institute – survey conducted by Validatelt Technologies Inc. for the BMO Wealth Institute between January 4-8, 2016, with an online sample size of 1085 consisting of 660 respondents aged 45 and older planning to retire in the next 10 years, and 425 respondents aged 55 and older already retired. The overall probability results for a sample of this size would be accurate to within +/- 2.98% 19 times out of 20.
- ⁷ What causes workers to retire before they plan? Munnell, A.H., Sanzenbacher, G.T., and Rutledge, M.S. Centre for Retirement Research at Boston College, September 2015. http://crr.bc.edu/wp-content/uploads/2015/09/wp_2015-22.pdf
- ⁸ Measuring the age of retirement. Gower, D. Statistics Canada, 1997. www.statcan.gc.ca/pub/75-001-x/1997002/3071-eng.pdf
- ⁹ Table 282-0051: Labour force survey estimates, retirement age by class of worker and sex. Statistics Canada, January 29, 2015. www5.statcan.gc.ca/cansim/a26?lang=eng&id=2820051
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- ¹⁴ Billionaire investor Carl Icahn on retiring. Bloomberg, December 2015. www.bloomberg.com/news/videos/2015-12-03/billionaire-investor-carl-icahn-on-retiring
- ¹⁵ Richard Branson interview: Virgin chief on how age is moderating his appetite for risk-taking. Ashton, J. The Independent, June 14, 2015. www.independent.co.uk/news/people/richard-branson-interview-virgin-chief-on-how-age-is-moderating-his-appetite-for-risk-taking-10319312.html



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