

What is retirement?

This is the first in a series of articles I am writing to look at finances in retirement. Although the focus will be on retirement, much of what I will cover holds good whatever age you are. So please stick with me.

I have a vested interest in this subject as I intend to make a living by giving professional independent financial advice. However, I believe there is a lot of basic common sense that will help most people before they get to the stage of needing any professional help.

As a mere 47 year old, you might wonder why I think I can write about retirement. In my previous role as Director of Marketing at Norwich Union, I was responsible for the financial products aimed at this market and have lots of experience researching and listening to feedback from this age group.

Coming back now to the title of the article, What is retirement?

The traditional concept of retirement is a working life of maybe 35-40 years with retirement taking place at 60 or 65. One day you are at work, the next day back at home with a pipe and slippers. (Sorry if this feels sexist but I'm trying to illustrate the point.) In 1981, a 65 year old could expect to live to 78 if they are male and 82 if they are female. (Note 1)

However, the reality today is much different to this. Now people can expect to live a lot longer in retirement – a 65 year old can expect to live to 85 if they are male and 88 if they are female. (Note 2)

The state pension age is going up; age discrimination means that it is possible to keep working longer and expectations of retirement have changed significantly. A report issued by Norwich Union entitled Rethinking Retirement (note 3) gives the following insights:

Those approaching retirement or newly retired have the following desires:

Lifestyle:

- to ward off real "old age" and maintain good health
- to live life to the max (travel, family)
- to keep socially engaged through part time working or volunteering

Money

- to feel prepared for the future
- to maintain an engaged lifestyle
- to feel safe and secure

Support

- to be taken seriously and not dismissed because of old age
- to receive support on their own terms

All this means that retirement and the retirement journey is quite different from the traditional view. A 65 year old today is likely to be much more active and to have much higher expectations of retirement compared to the previous generation. In many ways, 75 is the new 65, if you understand what I mean.

Having carried out a lot of research with this population, here are some typical comments that I have heard regarding attitudes to finance:

"Things are really complex"

"There are too many things going on in my head to make the time to read about finance"

"I'm concerned every day about my finances in retirement – I can't get my head around it"

The starting point for me is having a plan.....

“Failing to plan is planning to fail”

It's important that you know your priorities in life. Everyone is different and their priorities will change depending on their circumstances and goals. Whether it is to have a decent standard of living in retirement; to find a voluntary job to give something back to society; or to travel the world - it's important to know your priorities and to align your financial plans with these.

“Beery income, champagne lifestyle”

Whether it is as an individual or as a business or as a country, your expenditure and income can't be out of synch – at least not for too long! The first thing to understand is how much you have and then how much you spend. There is a real spectrum out there from those who have very tight budgets and know to the penny what they will have at the end of the month to those who have no idea what either their income or outgoings are. Sadly I was very much in the latter camp until I very recently sorted out our household budget.

The basic message here is understand your income and outgoings and make sure that you live within your means.

The next article will be about sorting out your finances before I cover the different sources of income in retirement.

It would be great to hear from anyone if you have any comments or questions, See contact details in today's advert. The next article will be in the 17th January edition. Until then, best wishes for the New Year.

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Sources:

1 Older People and Wellbeing, IPPR report July 2008

2 Life Trust Cost of Retirement Report 2008

3 Rethinking Retirement, Norwich Union August 2007