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Saving

The Five Stages of Retirement

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Paying for your retirement years is likely the single most expensive undertaking in your life, and chances are you've already started financially preparing for it.

But no matter how much you've saved for this next stage in life, your dream of retirement could become a nightmare if you're not emotionally prepared as well.

"When I ask people to tell me about their retirement plan, they describe their 401(k) and IRAs," says Dan Veto, senior vice president of San Francisco-based AgeWave, a think tank and consultancy focused on aging and retirement. "But that's just how they're going to fund their retirement, not what they'll be doing during retirement. Unfortunately, people put more time into planning a trip to Disneyworld than how they'll spend the next 35 years of their life."

This lack of preparation can come back to haunt retirees. Veto says that the most important factor in determining a happy retirement isn't how much money people have saved for it but how much they have planned for it.

To help retirees better acclimate to the new phase in their lives, AgeWave, along with market researcher Harris Interactive and Ameriprise Financial, conducted a survey in 2005 on the "emotional" aspects of retirement. And like Elizabeth Kubler-Ross' *On Death and Dying*, which outlines the five stages of dying, the study identified and characterized five distinct stages of retirement.

Imagination

The first stage of retirement begins well before people even reach their retirement day and ranges from 15 to six years prior. At this point, retirement isn't top on their list, and they are most likely concentrating more on pursuing careers, paying bills or putting kids through college.

As retirement day gets closer, however, people in this stage begin turning their attention to their retirement goals and needs. Nevertheless, they still feel they are behind, as 44% of those polled report they are "on track" in terms of preparing overall for retirement.

Anticipation

In the years just prior to starting retirement is the second stage: anticipation. The study found that this stage is a time of great excitement and hope. Financial resources are almost in place, and people begin to spend additional time planning for recreation, new hobbies, family and postretirement careers.

But there is also some doubt and worry in people at this stage, as they haven't experienced such a change in life since they began adulthood. This is when people begin to plan more aggressively: 72% of those polled say

they are putting money aside in a 401(k), and 81% are putting money in a separate savings account for retirement. 62% have determined the income they need in retirement, and 40% have bothered to write a retirement financial plan.

"Most people just sort of think retirement is going to be great but don't give much thought to what to do," Veto says. "If you're married, start to have some dialogue with your spouse. Start thinking about things such as when you will retire, where you want to retire and whether you want to move to a smaller home. The more you plan, the more ready you'll be."

Liberation

This stage marks the official beginning of retirement, or what Veto refers to as the "honeymoon" phase. This stage is short-lived and lasts anywhere from one day to one year. Survey respondents said that on retirement day, they felt excited, relieved and liberated from the worries and responsibilities of their career and day-to-day life.

People in this stage are fully engaged in the novel opportunities of retirement, such as reconnecting with spouses and families, hobbies, traveling, even starting new businesses. Those in this phase find themselves very busy; 89% of those polled said they believe they will have enough to keep them busy throughout their retirement.

Veto warns, however, that the euphoria of this stage can quickly turn itself around.

Reorientation

The toughest stage of retirement is reorientation. A lot of retirees will make a list of things they want to do, such as fix things around the house, work on their tennis game and travel. "But it's not a 30-year list," Veto points out. "They go through their list a lot faster than they thought they would and say, 'Now what?' when they still have another 25 years of retirement."

As a result, many retirees find themselves retiring in front of the television. According to Veto, the average retiree spends approximately 43.5 hours watching TV a week -- essentially replacing their former work week.

Veto says that a common response among people in this stage about how their retirement is going is that they are "keeping busy." But "that's not a way to spend a life's worth of experience," he says, "If you're 65, you don't need to be put out to pasture. You have skills and experience, and now you have this gift of time."

To avoid falling into the rut, it's important for retirees in this stage to find a meaningful purpose in life, which AgeWave has found is the key to longevity. "Tragically, some people don't get out of this rut," says Veto. "This is where depression is at its highest among retirees. Many will figure it out, but some people get trapped, and they spin out in a life living without a purpose."

Reconciliation

This last stage of retirement kicks in about 16 years after retirement day, when many people feel relative contentment in their retirement. In this stage, people are more hopeful and have come to terms with all that retirement has to offer.

According to the study, people in the reconciliation stage report lower levels of depression and worry. They are, however, also more likely to admit to sadness as they begin to confront the end of their lives. Some 65% report they are living their dream in retirement, and 75% say they are enjoying retirement a "great deal."

To help smooth the transition of these stages, the overwhelming key, says, Veto, is planning and preparation. To facilitate this, AgeWave has developed a tool called the Retirement Bridge. It's a 20-minute survey that walks people through the components of where they are today and where they want to go, as well as their hopes, fears and dreams.

"The biggest misconception is that retirement's going to be perfect without any planning or preparation, like something magical will happen," Veto says, "Retirement can be a fantastic life stage. But don't show up on retirement day and then try figure it out."

The Five Stages of Retirement		
Stage	Timeframe	Emotions, concerns and aspirations
Imagination	Six to 15 Years Prior to Retirement	<ul style="list-style-type: none"> • Growing enthusiasm and excitement as retirement gets closer. • 74% expect to enjoy retirement a great deal.
Anticipation	Zero to Five Years Prior to Retirement	<ul style="list-style-type: none"> • Excited and hopeful until worry and doubt set in one to two years prior to retirement. • 77% expect to enjoy retirement a great deal.
Liberation	First Day to First Year of Retirement	<ul style="list-style-type: none"> • Excited and relieved from work stress. • 78% enjoying retirement a great deal.
Reorientation	Two to 15 Years Into Retirement	<ul style="list-style-type: none"> • For some, retirement is more challenging than they thought. May feel depressed and bored. • Others reinvent themselves and undergo a transformation into a fulfilling new life.
Reconciliation	16+ Into Retirement	<ul style="list-style-type: none"> • Relatively content and less depressed and worried, but sad as they begin to confront end-of-life issues. • 75% enjoying retirement a great deal.

Source: AgeWave, Ameriprise Financial and Harris Interactive.

Michael Katz has been a reporter at Forbes and an editor for two custom publishers, SmartMoney Custom Solutions and HNWI Inc. He also worked in London as a freelance media reporter and foreign correspondent for Broadcasting & Cable magazine.
