



Retirement: What is Retirement?

What Is Retirement?

By: Joe the Investor

Where Did the Idea of Retirement Come From?

There was a time when someone went to work at 16 years old, worked for 50 years at a company, and then received a gold watch to mark his retirement. What did a person do after that? Mostly likely they died, or played golf if they were rich enough and outlived the average lifespan. (1) This model came into being with the industrial revolution, as prior to this time, there were no pension plans or concept of retirement to speak of because people did whatever they had to do on their farm or homestead as long as they could. (2) Around the 1970's post-secondary education began to be introduced into this model such that you didn't work full time at 16 years old, but at 25 to 30 years old. You would typically work for a larger corporation and do 25 to 30 years of service and retire between 55 and 65 years of age. What did someone do after that? People began to live longer by this time, so activities such as golf, travel, hobbies and volunteering were introduced as something to do in retirement. (2)

What is Retirement?

Retirement in the models described above is simply quitting your job. Retirement can be thought of as leaving a job or task to do another task. People rarely sit around and do nothing unless they are not able to do any work. People will want to find something to do, no matter what it is and whether they are paid for it or not.

A better definition of retirement is doing what you love and having control over your resources. Do you have to suffer for 50 years to do what you love? Many people talk of "paying your dues". Why not do what you love now? Yes, there are many responsibilities to consider, and doing what you love means being much more mindful of how things get done, how things are paid for and who gets affected. Doing what you love is hard for most people because it means being different; it forces you to shed many fears and issues and become what you want to be. People are scared to face this reality, so they do a job that gets them by, "pays the bills", and allows them to hang onto their current beliefs. Happiness may be compromised in this choice, as well as health and other aspects of life that are believed to be important.

The Retirement Mindset

Retirement is really about a state of mind. It is not only about the money. The money aspect as well as health, relationships, time and resources should all be planned because these areas are what the money is supposed to be used for. As jobs become more and more uncertain, golfing at age 65 is becoming more and more irrelevant.

The model of retirement from the 1970's was used to sell a dream of leisure that was not very easy to materialize. Once the lifespan allowed it to materialize, (1) the money became more and more elusive to fund the dream. Today the possibilities still exist, but you will have to make them yourself rather than relying on society for the dream prescribed to you. There are many assumptions and myths that are made regarding retirement, and some of them will be discussed below.

Retirement Begins at Age 65

A retirement switch turns on when you turn 65 and no other age. This assumption was made in the past, but today, retirement ages are being pushed back to between 65 and 70 years old for the poor, and earlier than 60 for the wealthy. For the entrepreneur or self-employed person, there is no age as this model has been abandoned. The age of 65 is one possibility of when to retire, but it is not the only one. There really isn't a set age any more to make this change; it will depend on what you want to do.

I Am My Job

There are other people who postpone retirement indefinitely because they would not know who they would be without their jobs. If they don't work, they feel useless, a burden to society, or second class citizens. These people may have more than enough wealth; but there are also people who work past age 65 because of financial lack. This did not happen in the past because people did not manage their retirement directly. The trend over the last 20 years is to shift responsibility for retiring to the retiree rather than the employer or the government. This is why RRSPs were introduced, why the TFSA was introduced, and why company pensions are becoming fewer and less reliable. If you have a pension plan, it is becoming defined contribution versus defined benefit. Defined contribution means that people would have to invest their own money and bear the risk of their losses, whereas for defined benefit this was not expected. Health costs were also covered up to and into retirement – and the trend is to privatize these services more, so that people will have to pay for themselves, either directly or through private insurance. Provincial health insurance is covering fewer items each year, work benefits are covering more each year, and more services are being charged for and outsourced to private companies.

Retirement “Happens” and I Have No Control Over it

People assume that retirement “just comes” like death, and they have to deal with it. There are stories of people who worked for 50 years continuously, and right after retiring at age 65 either die suddenly or become severely ill. Some go into depression or go into a state of decay where nothing is interesting to them anymore. Why is this? These people did not know what to do when they stopped working. Was retirement right for them? Why not stake out what you are going to do when the time comes and ease into it? Planning is done for life changes like when you leave high school, after university and even after having children – why not retirement? It makes the financial burden much easier to plan because you don’t have to guess what you need. You can test this out beforehand. The idea of clinging to a job for an identity will not be needed because you have found something to do before the “void” of indecision or transition takes place. Nature doesn’t allow a vacuum, so if you find yourself with “nothing to do”, something will always come in to replace what you have left. The trick is for that something to be what you intended rather than unconscious. You technically do not have to retire, or can retire constantly in spite of age, health, circumstances or options. (3)

Retirement is Customized to You

There is no prescription for retirement, just like there is no prescription for starting a business, doing a piece of art or finding the perfect trip. These depend heavily on what someone is looking for, and what appeals to them. The first question for the future retiree to ask is: What do I want to be? Secondary questions are: What do I want to do? How can my skills be put to the best use? What activities make me the happiest? What kind of lifestyle do I want to have? Understandably these questions are not easy to answer and they will take time to figure out. There may need to be some tinkering and trial and error before you know where you want to be and what you will need to get there. The good news is that you have a lot of time to experiment.

How much money do you need to retire? This is very much an individual question and it varies widely. There isn’t even a useful range to give out. Some people can live on CPP and OAS only, while for others \$100,000 per year is not enough for their needs. If someone tries to give you a prescribed model, be mindful that it likely will not work for you unless you fit the intended consequences that the model is designed for. If you are living the average life and require the average amount of money to pay for it – the model may be useful. Any differences from this model that you want to make will have to be thought through by you to make sure that they are covered.

Contact me, Joe Barbieri by email at joetheinvestor.today@gmail.com, or by telephone at 647-286-8020 for an independent consultation on what these options are. **Note: This site is intended for people who want to learn about the world of investments and how to research for themselves. If you would like to buy or sell investment products, or specific advice on investment products, tax or legal issues, please consult your investment advisor, accountant or legal counsel.**

Sources:

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