



What Else Do I Need to Think About in Retirement Beside Money?

By: Joe the Investor

There is a lot of buzz out there about having enough assets or income to be ready for retirement. Enough assets and income for what? The key to the financial side of retirement is to know what your expenses are. From there, extra costs like taxes can be added, and then the assets generating the income can be forecasted to see how it will pay for these costs. How to arrive at these expenses means asking yourself: “What kind of lifestyle do I want to have?” Since there are so many variations of the answer to this question, there is some introspection that likely will take place that will help form the retirement vision.

There are 5 proposed elements to the retirement mindset. These are health, energy, time, relationships and money. These elements work together to provide a lifestyle picture which is more holistic and encompassing for this stage of life. There are questions proposed to get you thinking about how these elements have a role in your retirement.

Aside from money, health is the second most talked about topic when it comes to retirement, but the focus tends to be on nursing homes and long term care. What about extra costs for home renovations, equipment, supplements, extended health care etc.? Maybe you don't feel like making the trip to the cottage or down south as often as you used to. Maybe you can't take transit the way that you used to and prefer to drive your car for convenience? Maybe you have certain health issues and need to be near certain specialists or alternative care practitioners? Perhaps a health condition means you need to eat certain foods, have certain clothing or have different gadgets to keep your environment purer than you otherwise would have needed.

What is energy? This can be thought of as motivation or willingness to do various tasks. You may not want to travel as much as you used to, even though you are physically able to. You may not tolerate working long hours like you did when you were younger. You may prefer things to be slower and quieter. Is this consistent with a condominium in the downtown of a congested, loud city? You may tend to want things close by. The doctor and dentist go without saying but what about friends, activities, your hair stylist or stores? There may be a point when you don't want to drive anymore and this will change your whole routine.

What about time? The myth among working people is that retirees have all the time in the world. Nothing can be more wrong! Oh sure, there is not work to go to each day, but there are household chores, hobbies, associations to be a part of, people to take care of, pets, household repairs and things that there was no time for before retirement. What are you going to do with your time? People who are not prepared for this will be in for shock as they may either be bored out of their mind without work, or may be overwhelmed at the change.

Relationships are key as well. Many people think relationships are not going to change in retirement, but they can. The first thing to consider is your spouse: Are you used to having this person around all day every day? Going to work and seeing them for a few hours at night is not the same thing. Having a spouse and small children and running around all day is not the same thing as spending all of your time with someone. Will their habits start to annoy you? Are you going to have different needs if you are home during the day time? The same thinking applies to your children. Are they expecting you to babysit your grandchildren all of the time? Are they expecting you to come off the bench and pitch hit when they need some time alone? Maybe you want to have some fun in retirement, and maybe this is not consistent with what they had in mind. Conversely, what about taking care of you and what is involved with that? Are you expecting your kids to come out and do things for you and in what circumstances? The thinking expands to include friends, extended family etc. There is also the idea of where do you want to live? Most people don't change their home in retirement, but it depends. Are you banking on your home as your retirement fund meaning you will have to sell it and free up cash? Where will you live then? A house is different than a condominium and a city is different than the suburbs or the rural areas.

Money is the substance that allows all of these elements to come together. Once you know where you are living, with whom, how you will spend your time, what you are motivated to do etc., then the question arises: How am I going to pay for all of this? The analysis of your assets, liabilities, income sources and expenses are now put into the equation. The starting point for the discussion is the expenses because this defines what you need for your retirement. The income is the coverage of these expenses, with assets and liabilities translating into future income. The process of liquidating assets slowly to smooth out the cash flows would allow you to achieve your goals such as leaving an inheritance, paying the tax authorities, and any other goals that you have.

Retirement is a new phase in someone's life, similar to getting married, having children, starting a business or moving to a new city. Why not give it some thought?