

The Six Emotional Stages of Retirement

Americans are living longer. That's why financial planning for increasing life expectancy is now more important than ever. However, accounting for increasing life expectancy isn't as simple as adding a few years to the end of our lives. What many people misunderstand is that increasing life expectancy adds years to all stages of retirement.

The natural progression through each of these stages should be viewed as seasons—from imagination to reconciliation. By better understanding each of these stages, we can build a sound lifetime income plan that addresses both your financial and emotional needs so you can look forward to discovering what's next in life.

Stage 1: Imagination (occurs 6 – 15 years before retirement)

Characteristics

- About a decade before retiring, people begin imagining retirement, but it may not be a top priority if they have college-age children or aging parents.
- People in this stage often save for retirement in both personal and employer-sponsored accounts. However, many have not taken the time to figure out how much money they'll need to enjoy the retirement they imagine. Saving without a pre-determined goal often leaves them feeling unsure and unprepared.

Next Steps:

Start thinking about when and how you want to retire. Determine how much you'll need and take a systematic approach to saving.

Stage 2: Hesitation (occurs 3 – 5 years before retirement)

Characteristics

- The hesitation stage shows the economic anxiety many people feel prior to retirement.
- During this stage, people begin to more clearly visualize their retirement, causing them to question their preparedness. Economic stress intensifies these feelings of uncertainty. However, people in this stage generally accept that retirement day is approaching and often respond by seeking advice.

Next Steps:

Maximize your retirement contributions.

Stage 3: Anticipation (occurs 0 – 2 years before retirement)

Characteristics

- Excitement about retirement builds during the anticipation stage. Most people have been preparing for retirement and are looking forward to it.
- People in the Anticipation stage are most likely to feel “on track” for retirement, and more than half are working with a financial advisor.

Next Steps:

Start planning for generating income during retirement.

Stage 4: Realization (occurs retirement day and the year following)

Characteristics

- The reality of retirement strikes people on or shortly after their retirement day. In 2005, this stage was called “Liberation” because people were generally looking to fulfill retirement dreams. However, the recession has muted this euphoria. Today, people often feel less empowered and adventurous, and worry more about having enough money to enjoy retirement.

Next Steps:

Consider building a relationship with a financial advisor.

Stage 5: Reorientation (occurs 2 – 15 years after retirement)

Characteristics

- During the first year of retirement, most people adjust and find ways to manage any early feelings of disappointment.
- In the Reorientation stage, comforting routines are in place, goals have been adjusted and happiness increases. People who are working with a financial advisor and have set aside money in employer-sponsored retirement accounts and personal savings accounts generally feel more confident.

Next Steps:

Assess the most common risks to your retirement.

Stage 6: Reconciliation (occurs 16 or more years after retirement)

Characteristics

- As people get older, they begin to encounter illness and the loss of friends and family.
- They become more concerned about daily physical needs.
- Many people continue to feel happy, but feelings of anxiety and depression can start to emerge.

Next Steps:

Plan for long-term health-care expenses.