

Retirement planning with attitude

Preparing for retirement is as much a psychological issue as it is a financial one. As well as making sure you have enough money to live on, you also need to have interests that will fill your day, and give you satisfaction and enjoyment.

In 1993, the financial institution Merrill Lynch conducted a survey of US baby boomers (i.e. those born between 1946 and 1964), and more recently, the US equivalent of Grey Power – the American Association of Retired Persons (AARP) – did a follow-up survey.

While the surveys are American, the general trends identified are worth noting.

As some background, baby boomers currently make up around a quarter of the US population. They collectively control 40% of the US public's disposable income, and more than 70% of them are homeowners.

With the oldest baby boomers now being 56, many will be thinking seriously about their retirement, in what kind of shape they plan to be when they get there and how they will live when they do get there.

However, back in 1993, Merrill Lynch found only a third of them were on track to saving enough for their retirement nestegg. While many Americans did well out of the sharemarket over the four years from 1996 to 1999, those still in the sharemarket have since been hit hard.

Some of these may well have been 'late starters', who decided to take an aggressive stance with their money to make up for lost time and their poor savings levels. It's an easy trap to fall into, and shows up the danger of not committing to a regular savings plan early into working life.

However, the savings picture may not be quite so gloomy. While the Merrill Lynch survey found baby boomers had on average only 35% of the savings they needed for retirement, AARP found this rose to 80% if the money tied up in their houses was included. While that figure sounds quite healthy, it's only relevant if those people are prepared to sell their homes and trade down or even rent.

From a psychological perspective, baby boomers are likely to live longer than their parents and many will stay healthy and active well into their retirement. They will also probably seek a different kind of retirement than their parents had. In fact, 40% of baby boomers surveyed told AARP they could not imagine themselves retired, and only 16% plan to stop work entirely when they retire.

Many also don't want to move into a smaller property, let alone to a different area. In fact, only 21% told AARP they plan to live in a different area when they retire, and only 35% expect to have to cut back their lifestyle. Unfortunately, in reality, many won't be able to afford their vision for retirement.

If you want your retirement dreams to come true, you need to plan to make it happen. It may look daunting, but talking it over with a professional adviser will make it more manageable and show you just what steps you need to take. ENDS 22 July 2002