



## Managing the Emotional Aspects of Retirement

Shift your focus and rediscover your passions

**W**hile most of us (to a greater or lesser extent) plan financially for retirement, we often don't think to devote the same amount of time and effort to plan emotionally for the day we transition from employee to retiree. It is important to keep in mind retirement planning involves much more than simply aligning your expected income sources with your anticipated lifestyle expenses. You also need to consider:

- What will replace the sense of purpose, camaraderie, and intellectual stimulation your career has provided for so many years?
- What hobbies, activities, or passions will fill the void of your 9 to 5 professional life—ideally in a way that delivers both personal fulfillment and social engagement?

Perhaps more than any other nation, Americans tend to define themselves by their professions, job titles, and how relentlessly we all work. When your work identity suddenly disappears, it can be a genuine struggle to redefine who you are.

### Redirect your energies

One of the key things you can do to psychologically prepare for the changes retirement will bring is to start looking now for new intellectual challenges and ways to engage and give back to your community, such as:

- Serving on the board of a local nonprofit;
- Teaching or mentoring in your area of expertise;
- Developing your creative passions - woodworking, gardening, or painting;
- Developing your physical prowess (join a local pickleball or tennis league, or a running crew, or cycling club); or
- Pursuing a 'second act' career that aligns with your passions.

When you finally turn the page on retirement, activities like these can provide a much-needed substitute for the human connections, mental challenges, and intellectual stimulation your career previously provided. Failing to plan for life after work, unfortunately, often leaves a void that no amount of travel or tee times can

ever fill. It is one of the chief reasons so many successful professionals decide to keep working late into their 60s and early 70s—long after their peers have retired.

### **Scale back gradually rather than disengage suddenly**

In addition to mentally and financially preparing well in advance for your upcoming retirement, another approach many choose is a slow glide path towards retirement. In other words, many pre-retirees prefer to retire in stages over a multi-year period. This enables them to remain mentally and socially engaged for longer and also helps them better manage the financial challenges of what could be a 25 – 30-year retirement. Even just a year or two of part-time work before full-retirement can dramatically help you fund a lengthy retirement and may also provide you some needed and appreciated financial flexibility.

*In 2022, just 45% of U.S. 65-year-olds were retired, compared to 58% in 2000.<sup>1</sup>*

If you are a small business owner or self-employed professional (such as a physician, attorney, or CPA) you may be fortunate enough to have the flexibility to gradually scale back your work hours over time. Rather than flipping the switch from 40+ hour work weeks to nothing overnight (which can trigger a profound feeling of being adrift), reducing your schedule can make easing into retirement far less jarring.

As an added benefit, the longer you are earning income the greater ability you will have to maximize catch-up contributions to retirement accounts which can boost both your 401(k) and IRA balances and delay your reliance upon these accounts to fund retirement. For the 2023 tax year, anyone age 50 or older can contribute a maximum of \$30,000 to their 401(k), and \$7,500 to their IRAs. Continuing to generate income beyond your full retirement age (FRA) also provides two additional benefits. It may:

1. Allow you to delay claiming Social Security benefits. Keep in mind that for every year you delay beyond full-retirement age (up to age 70), your annual benefit increases by 8%.
2. Delay or reduce the need to start drawing down your retirement savings—giving your funds more time to enjoy tax-deferred growth and reducing the number of years your savings will be required to fund.

### **Prepare emotionally and financially**

Leaving a profession and a job you have excelled at for decades can initially feel like being set adrift in a vast ocean. Not only does it require stepping out of your comfort zone, it also means letting go (to some extent) of the day-to-day interactions and friendships you have built with co-workers and clients. It is critical, therefore, to prepare yourself emotionally and seek out other ways to socially engage with the outside world.

Whether for a sense of personal fulfillment or to build an extra financial cushion, a ‘second act’ career could offer an incredibly rewarding alternative to full retirement. Just don’t wait until you retire to start preparing. Like any type of planning, the earlier you begin, the greater your chance of achieving a successful outcome. So, take time now to give some serious thought to what second career you might like to pursue. Talk with friends and relatives who have pursued this solution. Ask them about the emotional challenges they faced and the strategies they employed to protect their emotional well-being. Ask about any missteps they made along the way. And then start seeking out and cultivating relationships in areas that interest you—so you will have a solid network in place when you finally decide to transition.

Retirement provides a unique opportunity not only to rediscover what you love but to reinvent who you are. Whether your goal is to generate additional income to fund a better retirement lifestyle, to stay more actively engaged, or to give back to your community, a second career in retirement can be an immensely rewarding undertaking.

## Don't wait

Whether you plan to step away all at once or gradually ease out of your career, the sooner you start planning for life after work, the better off you will be and the less unsettling your transition. Don't wait until retirement is just months away to start exploring, discovering, and engaging with future passions.

Shedding the corporate yoke should never mean disconnecting from the world. But filling the sizable gap left by your career will require as much continuity as possible. Even though you have been working for the past 35+ years, don't forget that your retirement might last nearly as long. Grab this tremendous opportunity not only to rediscover your passions but to reinvent who you are. It all starts with a plan!

Ready to achieve a more fulfilling and enjoyable retirement? Start thinking less about what you will be retiring *from*, and begin focusing more on what you want to be retiring *to*. Talk with your BLBB Financial Advisor (215-643-9100). He or she can help you address these and other critical retirement questions so you are able to approach the future more confidently.

<sup>1</sup> "Who's not working? Understanding the U.S.'s aging workforce," Minneapolis Federal Reserve Bank, February 2023



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