

# **WHITE PAPER**

## **RETIREMENT CHALLENGES FOR CORPORATIONS**

**PRESENTED BY:**

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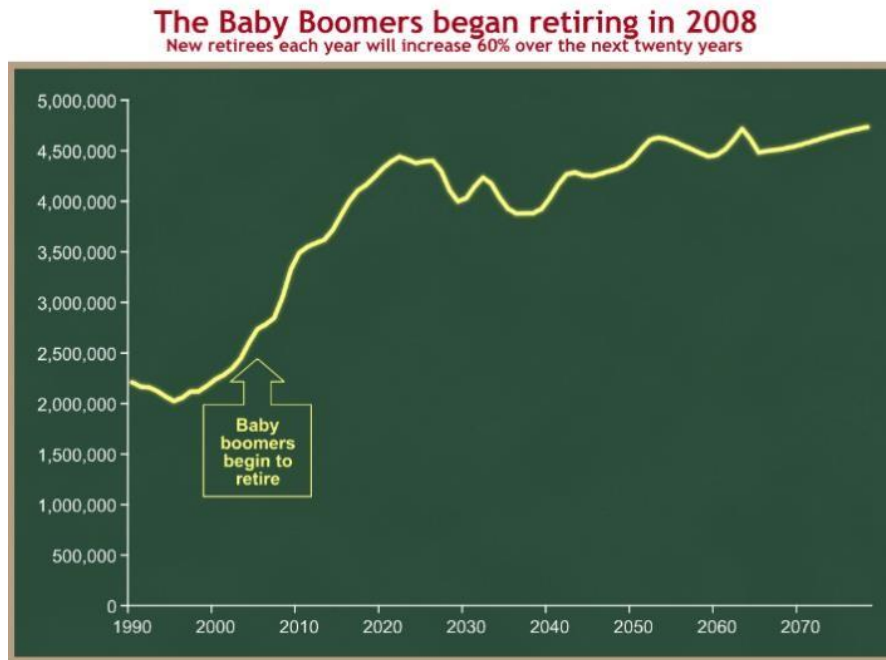
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## America's Challenge

We are living in an extraordinary period in our nation's history. We are facing the concurrence of three historical events in our society that we've never seen before. It is both exciting and challenging that these three historical events are all coalescing at the same time. This is truly America's 21<sup>st</sup>-century trifecta.

### Historical Event #1 - Retirement Of The Baby Boomers



Unbelievably, almost one quarter of the U.S. population or about 78 million people will be turning 65 years old over the 18 year period beginning in 2011 and ending in 2029. That's 12,000 people turning 65 years old daily. This is not a typo or a misplaced decimal point; it's simple math! Twelve thousand people per day equals 4,380,000 people turning 65 years old each and every year. If the number of these boomers is multiplied by the 18 years between 2011 and 2029, the result is over 78,840,000.

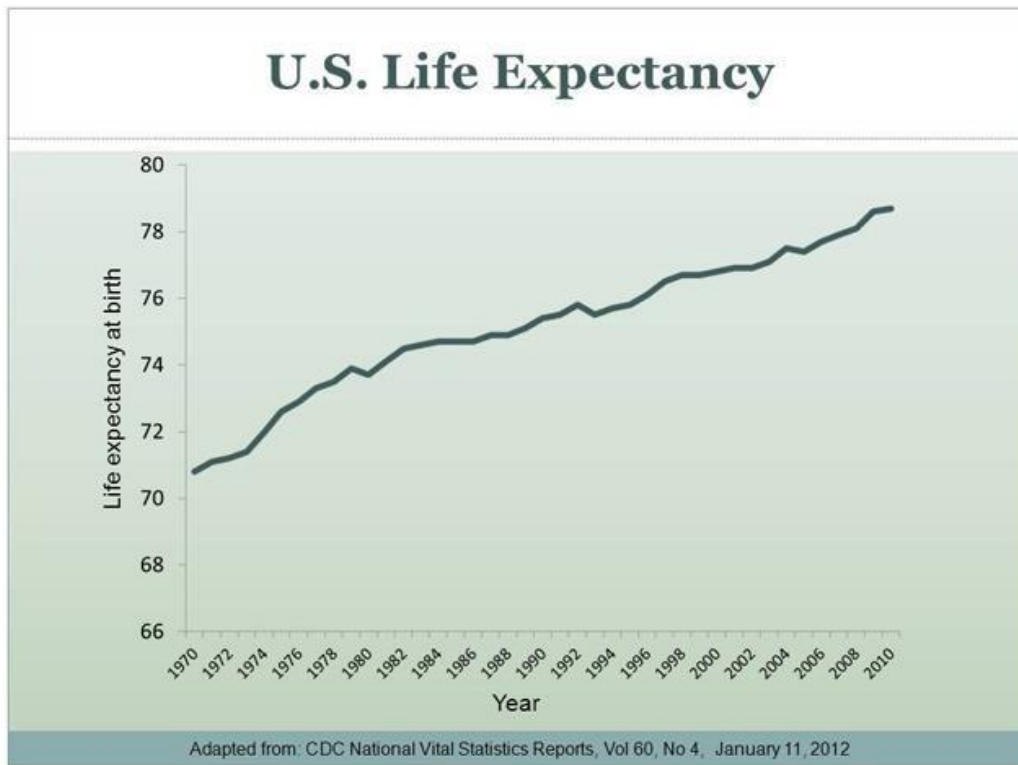
#### **12,000 People Retire Every Day**

The total number of people who will retire is absolutely incredible and will have an unprecedented impact on virtually every aspect of our society! For over six decades this group has been affectionately known as the baby boomers.

These are such large numbers that it's hard for most of us to comprehend their significance. Consider the following two analogies to help put this into perspective: (1) the largest football stadium in this country can barely accommodate the number of people who will be

retiring next week and for that matter every single week until 2029! (2) more people will retire in the next 45 days than live in the entire state of Wyoming.

## Historical Event #2 - Longevity Improvements



The impact of this baby boomers' transition to retirement is magnified and distorted by another absolutely amazing statistic. In the past century, the life expectancy of persons residing in the United States has increased by almost 60%. In the 100 years since 1914, the average lifespan of people in the United States has increased almost 30 years. As incredible as it seems now, in 1914 when our grandparents were being born, the average life expectancy for men was 52 years and only one person in 20 was expected to survive to the ripe old age of 65 years old. Contrast that with today's situation. It is now common for people to live 25 to 35 healthy years after they complete their working career.

### More People Are Expected To Live 25-35 Years After Retirement

## Historical Event #3 – Quality Of Life Enhancements

No issue is more significant to the baby boomers than this issue. The simple fact is that the years after work will not only be much longer, but they will be much healthier than previous

generations. Almost on a daily basis, researchers, doctors, and pharmaceutical companies announce major improvements in the cure rates for major illnesses. For example, 15 to 20 years ago, an HIV or cancer diagnosis was virtually a death sentence. With proper medication, people now have a much longer, healthier and more normal life span. As modern medicine continues to find new cures and therapies for illnesses and diseases, longevity will only increase. Even for people who have already contracted serious diseases, treatments will increase their lifespan and quality of life.

## **People Will Have Health And Vitality Much Later In Life Than Past Generations**

### **The Purpose Of This White Paper**

This White Paper defines some of the challenges facing America's corporations and businesses as they deal with these three unprecedented historical events. All three intersect at one important point: **MOST PEOPLE WILL LIVE 25 TO 35 HEALTHY YEARS IN RETIREMENT!** The challenges associated with these three historical events will present numerous problems as well as great opportunities for America's businesses.

Unfortunately, most companies are not focusing on how these events will impact their future operation. According to demographic statistics, one in five American workers will be 55 or older by 2015. Therefore, one of the biggest issues companies will be facing over the next several decades will be how to help their older employees retire successfully.

### **One In Five Workers Will Be 55+ In 2015**

A successful transition from work requires much more than a good financial plan. Many companies have, in fact, done an outstanding job of helping their employees meet the financial needs of this important transition. However, by concentrating exclusively on the financial planning, most other aspects of retirement planning have been totally overlooked. Specifically, very few companies have focused on any of the psychological aspects of retirement. Many companies assume that their only responsibility is to help their employees save enough money for retirement. Companies seem to believe that once these employees leave the workforce, their obligation to them is complete and the employees are then on their own.

### **Most Companies Fail To Prepare Employees For The Emotional Transition To Retirement**

Everyone—including the government, employers, and even the employees themselves, has gone along with this flawed assumption. By creating various retirement vehicles like IRAs, 401(k)s, etc. the government's role has been exclusively associated with the financial and tax aspects of retirement. Based on their actions, employers have simply assumed that their employees will figure out this enormously complicated issue themselves once they retire. Employees, who have spent 30 or 40 years in the work force often can't focus on anything beyond the fact that they will suddenly have 40-60 hours a week they didn't previously have.

The faulty assumptions made by the government, employers, and the employees themselves present some important rhetorical questions for corporations and companies to consider:

- (1) How will people use the 25 to 35 healthy years they will have after they retire?
- (2) What will it take to help employees find their much-deserved post-retirement life?
- (3) Whose responsibility is it to educate employees on this most critical issue?

### **This White Paper Outlines Some Of The Reasons Why America's Employers Have The Most To Gain By Addressing These Problems**

## **America's Reaction To These Historical Challenges**

While the average American might be amazed at the implication of these three somewhat independent events, the people who understand demographics, actuarial statistics, and health trends have seen this coming for years. After the last baby boomer was born in 1964, the die was cast. Demographers, actuaries working for insurance companies, and the Census Bureau understood that barring some worldwide astrological calamity or pandemic, the 78 million Americans that were born from 1946 to 1964 would start turning 65 in 2011. Recent newspaper articles have suggested that people will routinely live to be 100 years old and older during this century. For the most part, these centenarians will not be sickly people lying around in hospital beds.

## **Employer's Reaction To These Historical Challenges**

As corporations began to understand the historical implications of longevity as it related to the baby boomers, they began to change their company policies. Up through the 1960s,

most large companies provided **DEFINED BENEFITS** for their retirees. **DEFINED BENEFITS** meant that people retiring at the age of 65 years old could count on a pension for life. For the first half of the 20<sup>th</sup> century, these retirees only lived for several years in retirement before they died. Consequently, companies didn't have that much liability. However, as corporations and companies of all sizes began to understand the enormous financial implications of people living 25 and even 35 years after they retired, they began modifying their retirement programs.

Companies scrambled to replace their old **DEFINED BENEFITS** programs with new retirement plans. All of these programs had one thing in common: employees would be partially or completely responsible for their own retirements. To encourage their employees to contribute to the newly formed 401(k)s and IRAs, many companies provided matching funds for some of the employee's contributions. Frequently the company might match the first 5% to 10% of the annual pay contributed by the employees. Some companies also provided stock purchase agreements at a discount from the market value for employees who wanted to participate. Some companies managed these plans for their employees while others let their employees manage all aspects of their plan.

## **Employee's Reaction To These Historical Challenges**

Because the change from defined benefits to defined contributions occurred so quickly, many American workers were slow to accommodate the change and understand the implications. Consequently, too many people underfunded their retirement savings. This will result in delayed retirement or diminished standard of living for millions and millions of workers. Over the past 25 years, Americans have been inundated with magazine articles, newspaper stories, and employer publications discussing the need for retirement saving. Fortunately, most people now realize that it is their exclusive responsibility to set aside enough money for retirement.

## **Searching For Solutions**

Although I have been a psychotherapist for 29 years, I'm also an experienced coach. Through my extensive coach training, I have received national certifications in three different coaching disciplines over the last 10 years: Life Coaching, Retirement Coaching, and ReCareer Coaching. I've transitioned to this new career because as one of the very first baby boomers, I've faced many of the 21<sup>st</sup> century retirement-related challenges firsthand.

As I worked with more boomers in my private practice and educated myself about my own options, I decided to make the subject of retirement my coaching specialty.

In my retirement coaching practice, the leading question on the mind of most of my clients is: **“WHEN SHOULD I RETIRE?”** As a result of the “Great Recession,” it would seem reasonable that this is primarily a financially based question. Certainly, millions of people will continue to work for as long as possible because they haven’t planned adequately. However, for most of my coaching clients, their retirement anxiety is not financially based.

### **Most Retirement Anxieties And Timing Are For Non-Financial Reasons**

We usually spend our time talking about the changes they are anticipating in their life once they leave work. Money is only an incidental part of the discussion! The major concerns center on the loss of all the nonfinancial benefits that work has provided for them over the years. Many of these concerns are psychological fears about how they will handle the loss of their daily structure, decreased recognition or prestige, diminished social status, reduced social interaction, and a reduction in intellectual stimulation. They also worry about more personal issues like whether they should move to be closer to aging parents or grandchildren.

However, while all these things seem to be important, they are not what's foremost in my clients’ minds. Curiously, almost every one of my clients expresses the same exact fear. They worry about what they will do with all the **TIME** they will have available if they are not going to work every day. Some express concern that they might not be able to get out of bed in the morning!

### **What Will Retirees Do With The Newfound Surplus Of Time On Their Hands In Retirement?**

Corporate America is just beginning to realize that they have nonfinancial responsibilities not recognized when they moved from a defined-benefits concept to a defined-contributions concept. As the old saying goes: **IT’S NOT JUST ABOUT THE MONEY!** Increasingly, they are trying to determine what responsibility they have to their retiring employees. The short answer is: no one, other than the employees themselves, has a bigger stake in the outcome of this issue than employers. Employers will be greatly impacted by these factors over the next several decades.

Although it is not well-recognized or appreciated, the demographics, actuarial statistics, and employee health information described in this White Paper have a number of major

implications for corporate America. Companies that ignore the convergence of these three unprecedented conditions do so at their own peril.

### **Companies Have A Golden Opportunity To Prepare Their Boomers**

The following are just some of the challenges that the nation's employers will face in the coming decades as a result of this retirement issue.

### **Company Challenge #1 - The Need For Lifestyle Planning**

Economic well-being is obviously fundamental for a quality retirement. However, few companies are aware of the other half of the retirement equation, namely, what will these financially comfortable employees with good health and longevity do with the 40+ hours each week that they have available when they are no longer going to work every day? The successful retirement situation can be summed up in the following simple equation.

**SUCCESSFUL RETIREMENT =**

**GOOD FINANCIAL PORTFOLIO+GOOD LIFESTYLE PLANNING PORTFOLIO**

This two-fold planning approach to retirement would help pre-retirees to repurpose their education, experience, and skills so that they will have a better quality retirement. Progressive companies now recognize that the responsibility to their employees doesn't end after their employees leave work.

### **Company Challenge #2 - Helping Employees Retire**

In the years to come, there will be many millions of older employees who won't be leaving the workforce for one fundamental reason. These older workers have absolutely no idea of what they would do with their time or talents if they didn't go to work every day. With their children grown and gone, work satisfies important needs like structured time, social interaction, feeling valuable and important, and providing an outlet for their intellectual and creative energies. For many, the workday schedule is the only thing they have ever known. If they don't go to work every day, what will they do with their time?

### **A Post-Retirement Lifestyle Will Enable Earlier Retirements**

Many of these senior employees have pensions or enough money in their 401(k)s and IRAs to retire comfortably. Nonetheless, they continue to show up for work on time every day,



like they always have. While many older employees are productive and even essential to a company's future, many others are just biding their time because they don't have an alternative plan. For these employees, companies need to be creative and find a way to show them that they can have a meaningful and fulfilling life in retirement. Employers can be innovative by offering them alternatives like reduced hours, shared job responsibilities, flexible work schedules, or even new assignments.

### **Company Challenge #3 - Creating Better Employee Goodwill**

A third major concern for corporate America should be for their reputation as an employee-focused company. Companies annually spend billions of dollars on employee benefits to convey the image that they are a quality workplace. Recent studies suggest that companies are spending between 25% and 35% of salary for benefits. While some companies provide these benefits simply to remain competitive, forward-thinking companies are genuinely concerned about the welfare of their employees. Companies frequently add to or modify their generous benefit packages to generate employee goodwill. For many Fortune 500 companies, the employee's welfare has become an important part of the corporate culture. Sophisticated companies also recognize they will attract the highest caliber worker by demonstrating that they really care about the well-being and happiness of their employees, both before and after they retire.

### **Company Challenge #4 - Seniority Issues And Age Discrimination**

Corporations and companies find themselves in yet another bind with older workers. If they notice that productivity and creativity have slowed down for a senior worker, there is often little they can do about it. Older workers are frequently the very ones with the greatest seniority. Many have been with the company for 10, 20, maybe even 30 years. Seniority policies coupled with federal and state age discrimination laws often leave companies with few viable options to encourage an older employee to transition to retirement. Companies have to educate their employees about why it is advantageous for them to retire and that there is "life after work."

### **Company Challenge #5 - Poor Retirement Planning Consequences**

Unfortunately, very few companies are working on educating their employees about retirement issues. As noted earlier, both employers and employees have assumed that the

employees themselves will figure out this enormously complicated issue once they retire. However, the evidence indicates that many retirees are **FAILING RETIREMENT**. In some cases, people are failing retirement because they haven't saved enough money, but in many cases, it's because they haven't figured out how to replace the non-economic benefits that work has always provided for them.

As people come to grips with the realization that they don't know what else to do but work, they often get frustrated and angry. Most people don't find themselves fulfilled by sitting around their house watching daytime television. Insufficient lifestyle retirement planning can result in depression, alcoholism, addiction to prescription medication, domestic violence, divorce, and even suicide. The following is a classic example.

Several months after he retired from his incredibly successful company, George Eastman, founder of Kodak, went into his study, got a gun out of his desk drawer and shot himself in the heart. He left a simple suicide note that said, "To my friends: My work is done, why wait?"

Unfortunately too many people believe what George Eastman believed: that without work, their life has little or no meaning. For their entire working career, their identity has been so enmeshed in their job that they have a hard time defining themselves separate from their work. Before they can have a successful retirement, they have to come to grips with a new realization:

### **WHAT YOU DO IS *NOT* WHO YOU ARE!**

Too many corporations, companies, and organizations are failing to help their employees deal with one of the most fundamental and perplexing questions associated with the employee's entire working career:

### **WHAT WILL I DO WITH THE REST OF MY LIFE?**

## **CONCLUSION**

What do most of the company challenges listed on the previous pages have in common? The simple answer is that the company is usually not the decision-maker for many of these challenges. The decision about whether to retire, not retire, or to leave the company is almost always in the hands of the employee. The only way to help older workers understand the joys and benefits of retirement is through **EDUCATION**. Employers are in the unique position to provide this education with programs like the one proposed in this

White Paper. Even while doing so, employers need to recognize and figure out how to replace the skills and accumulated knowledge possessed by these senior workers. Employees have to understand and be excited about the prospects of a quality life after work. The sooner companies and employees realize that most employees can't solve this complicated problem on their own, the better it will be for society, employers, and those preparing to retire.

Unquestionably, government agencies and companies of all sizes are becoming aware of the need for Lifestyle Retirement Planning. I know this because I am routinely engaged in providing seminars and presentations on the subject. As a retirement and re-career coach, I regularly make presentations to these organizations about how to achieve a quality lifestyle in retirement.

I'm usually part of a three-day seminar for employees about to retire, the first two and a half days are devoted exclusively to finances, taxes, legal, estate, and health-related issues. These are certainly important topics, but that leaves only three hours to cover the entire field of lifestyle planning. Three hours is not enough time to educate employees on their options for a retirement lifestyle.

### **Lifestyle Planning Seminars Empower Employees To Make The Decision To Retire**

Employees have often had years, and sometimes decades, to think about the financial implications of retirement. They've attended seminars, met with financial planners, and talked to people in the HR department. In some cases, they've even managed their own financial portfolio as they stayed abreast of tax issues.

Unfortunately, however, they've almost never been exposed to the issues of retirement lifestyle planning. What little they do know about life in retirement they've learned by observing their parents and older friends. However, that model of retirement is antiquated and not acceptable to the baby boomer generation. As much fun as it can be, playing golf or tennis for the next 25 to 35 years is not a satisfying prospect for most baby boomers. In fact, observing these unsatisfying or unfulfilling retirements is the very thing that keeps many baby boomers from leaving the workforce. They need more than that.

There is still another aspect to this issue that we as a society need to be thinking about. Looking at the bigger picture, these pre-retired workers are a resource that America cannot afford to simply ignore or discard. Upon retirement, this group will have the financial wherewithal, time, education, and energy to re-purpose their life and skills. Their post-retirement life could include new careers, entrepreneurial pursuits, nonprofit employment,

hobbies, volunteering, mentoring, and giving back to society in countless ways. This is an asset you as a company can add.

## PROPOSAL

To help address the problems outlined in this White Paper, I have developed a one-day workshop on pre-retirement lifestyle planning ,which speaks to these important issues. Progressive companies understand both the importance to the employee and the financial benefit to the corporation that retirement lifestyle planning provides. The entire cost of this workshop for 20 people could be recovered if only one attendee decides to retire 5 months sooner that they originally planned. The Lifestyle Planning workshop is designed to complement the financial information that many companies currently provide to their employees.

While your company has provided employees with information to improve their financial portfolio, we help them create a successful **RETIREMENT LIFESTYLE PORTFOLIO**. These two plans, together, are necessary to create a successful and enriching retirement.

### Presentation Requirements

1. Attendance: 10-30 people
2. Venue: a quiet meeting room
3. Commitment: 6 hour block of time
4. Attendee's age: at least 45 years
5. Computer support: Prearranged
6. \$500 per person enrollment

## **Presentation Highlights**

1. Attitudes and myths about retirement
2. The WORK PROVIDES acronym
3. The six life arenas
4. How to create a meaningful legacy
5. Stages of the retirement transition
6. Things to consider before relocating
7. Exercises with Q & A discussions
8. Resources and reading material

## **Benefits To Employer**

1. Employees will elect to retire 24 to 36 months sooner, once they have a plan
2. Significant ROI for the employer who provides this education
3. Employer will have more productive, happier, and less anxious employees
4. Employer's reputation as a quality place to work will be enhanced
5. Company will have satisfied retiring employees as additional recruitment resource
6. Employer will build reputation as a company that values its employees

## **Benefits To Participants**

1. Reduce anxiety with more optimism about the entire retirement transition process
2. Learn about the emotional pitfalls to avoid during this important life stage
3. Understand the nonfinancial benefits that work currently provides for them
4. Recognize the importance to the employee of replacing these benefits
5. Explore how to use their existing skills, talents, and experience in retirement
6. Receive the workshop's extensive list of educational resources to enhance learning
7. Identify others in their situation as role models who have successful retirements