Retirement Planning, Part 12
Getting Started: Visualize Your Retirement
By Gary Case

The very first stage in planning for lifetime retirement income is to envision what you want your retirement to look like. What will you do when all of your weekdays could now be "weekends"? Where do you want to live?

What is most important to—passing on a large legacy to heirs or taking a first-class vacation cruise every year? Do you want a life of full-time leisure, or are you interested in pursuing volunteer work, a new career, or working part-time? How concerned are you about the health of you or your spouse?

Clearly, visualizing retirement involves unique, deeply personal choices that each person or couple must make for themselves. More often than not, a key to clearly visualizing the future lies in having a trusted third party to provide stimulus and feedback for thinking about such things. This exercise gets people on the road to matching resources, investment strategies, and spending plans with their desires. It also illuminates the fact that for most people, achieving their desires and reaching contentment in retirement depends primarily on planning, saving and successfully balancing a set of trade-offs.

A 2002 study of American retirees by gerontologist Ken Dykwald (Study on Retirement Satisfaction by Harris International), underscores the importance of these factors. In Dykwald's analysis, retirees divide into four broad categories, ranked in terms of their sense of contentment: "***Ageless Explorers***," who are financially affluent, feel fully in control of their lives and eager to launch new ventures; "***Comfortably Contents***," who are also financially solid but prefer a more leisurely lifestyle; "***Live for Todays***," who do see retirement as a new life, yet are anxious about their finances, and " ***Sick-and-Tireds***," people who failed to plan adequately and now feel unfulfilled in retirement.

Interestingly, the study found the single biggest driver of satisfaction was not total assets per se, but financial preparedness—the sense that retirees' resources and plans for drawing on them would sustain their chosen lifestyles for many years to come. The two key determinates of preparedness were the number of years spent saving for retirement and the degree of diversification of retirees' assets across investment classes and vehicles—ranging from IRAs and 401(k)'s to real estate, annuities and mutual funds. Regardless of their absolute wealth, most satisfied retirees were those who had been saving for 24 years or more and using a variety of vehicles to do so (the decision to save itself being a trade-off!). Next time I'll discuss timing your retirement.

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