



## The Retirement Readiness Checklist

By Dan Richards

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In May, Met Life issued a 28-page report, quantifying where Americans stand in terms of their preparation for retirement.

Their readiness index measured fifteen tasks – attached to the report was a questionnaire that advisors can walk clients through to benchmark where they stand on each task and identify areas that need improvement.



### The fifteen tasks for retirement readiness

The fifteen tasks fall into five areas:

#### *Activities related to income and benefits*

This includes assessing when full time retirement will be financially feasible, evaluating the impact of changes in the economy on pensions, investments and retirement benefits and determining what has to be done to receive the company and Government benefits to which clients are entitled.

#### *Work related tasks*

This makes up five of the fifteen things to do.

These include deciding whether to fully retire or work part-time, identifying the options for full-time or part-time work in retirement, figuring out if skills can be easily transferred to part-time work and exploring alternate career or part-time opportunities in retirement.

#### *Leisure-related activities*

Leisure-related tasks include things like determining the balance between work and leisure in retirement and identifying personal goals in retirement.

#### *Relationship tasks*

Relationship tasks to prepare for retirement capture thinking through the impact of retirement on relationships with a spouse, family and friends and also considering the effect on relationships with co-workers.

#### *Planning for retirement*



This includes determining what it will take to have a satisfying retirement, identifying alternate plans should there be an unexpected setback related to health or financial issues and evaluating whether retirement plans meet the demands of potential changes.

### **Conclusions about retirement readiness**

This report reached a number of general conclusions.

First, getting ready to retire is more complicated than just having enough money – there are many dimensions to a satisfying retirement.

In fact, the report points out that existing retirees need to provide a road map to what has to happen to maximize the odds of a satisfying and fulfilling retirement.

And second, completing these tasks doesn't mean that someone should retire – but it does mean they can retire, when they're ready to retire.

#### *The current thinking on the timing of retirement*

Americans are about evenly split on when they plan to retire – about half plan to retire at the age they'd been planning to a couple of years ago, the other half say they plan to work past the date they'd planned.

#### *Existing retirees*

About 64% of existing retirees say they retired earlier than they'd expected, 33% retired when they'd expected and only 3% said they'd retired later than expected.

The survey didn't ask if early retirement was voluntary – in all likelihood there were some cases in which companies made the decision for these early retirees.

#### *Can people retire on target?*

People who say they can retire when they'd planned to were more likely to have established personal goals. Establishing those goals and then following through on them appears to focus people on the important activities that will keep them on track.

#### *Preparing for retirement*

Just over half of Americans say they feel prepared overall for retirement, with just under one-in-five strongly disagreeing, and saying that they're not prepared for retirement.



Feeling prepared for retirement increases with age. Only a third of 45- to 49-year olds say they feel they're on track to prepare for retirement.

There were some specific factors related to feeling prepared for retirement.

One was completing those fifteen tasks. People who said they felt prepared had completed nine tasks, while those who felt unprepared had completed an average of three tasks.

The task that is most correlated with feeling prepared for retirement is whether someone has set clear goals for retirement and looked hard at whether their retirement plan meets addresses personal, social and financial changes.

### *Status of savings for retirement*

Half of Americans say they're behind on their retirement savings – in fact a quarter say they are significantly behind where they'd hoped to be at this point.

I believe this is a function of the loss of wealth in the US housing market and stock market over the past two years and high unemployment,

### *Completing the fifteen tasks for retirement planning*

Completing the tasks is directly related to age and how close people are to retirement.

Within five years of retirement, people have completed an average of 8 of the 15 tasks.

Six to fifteen years ahead of expected retirement, people average five tasks completed.

And more than 15 years from retirement, people have completed three tasks.

There's not a big difference between 45- to 49-year olds and 50- to 54-year olds, but there is a spike in the 55 to 64 age group. So 55 seems to be where people start thinking seriously about retirement related issues.

Men are generally further ahead of women on retirement planning, on thinking about whether full time retirement is financially feasible, on how much they want to work in retirement, and whether their retirement plans are adequate.

### **Using the report with clients**

This report provides a useful roadmap for advisors in talking to clients about the things they need to do to prepare for retirement.

Clearly, asking someone to take on all fifteen tasks at once will be overwhelming.



Instead, sit down with a client, review the fifteen tasks as a whole and identify where clients are. One useful feature of the report is that it shows where different age groups stand on each task, so clients can compare where they stand against other people their age.

Then advisors and clients can put together a schedule for working together to tackle the outstanding tasks – depending on the client this can take place over a period of two or three years or longer.

The report can be downloaded [here](#).

And [here's](#) a workbook to use with clients.

*Dan Richards conducts programs to help advisors gain and retain clients and is an award winning faculty member in the MBA program at the University of Toronto. To see more of his written and video commentaries and to reach him, go to [www.clientinsights.ca](http://www.clientinsights.ca).*

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