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Keynote Speaker at IRI Marketing Summit Highlights Changing Face of Retirement

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The leading edge of the estimated 78 million Baby Boomers who hit age 65 beginning in 2010 are redefining retirement, as many are pursuing long-deferred life goals.

So said Ken Dychtwald, president and CEO of Age Wave and the key note speaker at this year's IRI Marketing Summit. The annual gathering, which examines current issues impacting the insurance and financial services industry, is taking place April 1-2 at the New York Hilton in New York City.

As Americans live longer, their expectations for their retirement years is also evolving, said Dychtwald. On average, they're "resetting their retirement clock," delaying retirement to age 69 from age 64.

They're also redefining their "work-life balance." Rather than opting for rest and relaxation, many retirees are revisiting, and acting on, long-deferred life goals. Example: getting a college education, starting a new business or pursuing philanthropic interests.

"Only about 30% of individuals we surveyed in this year's **SunAmerica Retirement Re-Set Study** said they never want to work again," said Dychtwald. "A large plurality - 43% - said they want to cycle between work and leisure. They envision a more flexible retirement than did retirees of years past. This is the new ideal."

For many, achieving this ideal, will be a challenge because of financial pressures. More than half of the population expects to financially support a family member during their working years, including adult children (68%), grandparents (60%) and siblings (24%).

Demographic Shift
Dychtwald said the population of pre-retirees ages 55-64 is projected to growth by 73% between 2000 and 2020. And the percentage of seniors over age 65 will rise by 54%. Life expectancy at birth in the U.S in 2010 stood at 78.3 year sold, versus 63.5 in 1940. At age 65, life expectancy in 2010 was 18.7 years, as opposed to 12.7 years in 1940.

Fueling the rise in the number of older adults are long-running gains in health and wealth, not only in the U.S., but worldwide. Dychtwald showed a video that tracks these improvements beginning in the year 1800, when most people lived on less than $400 annually and were not expected to live past age 40. Though significant differences in health and wealth remain among countries, the video showed a marked increase globally over the subsequent two centuries in household wealth and life expectancy.

But with this increase in life expectancy, said Dychtwald, come challenges. The "irreversible rate at which the world's aging is aging," he said, quoting a September 2010 S&P report, is likely to have a greater impact on national health, public finances and policymaking than any other national trend."

Among then: pension plans. Defined benefit plans, he said, exert an increasing strain on the companies and government entities that still offer them. The result will be a continuing decline in pension plans, which in 2008 totaled 7% of all employer-sponsored retirement plans, in favor of defined contribution plans.

Additionally, he noted, older Americans are staying in the workforce longer, resulting in greater unemployment among younger people who would otherwise fill positions vacated by retiring workers. Between 2006 and 2011, said Dychtwald, incomes of workers over age 55 continued to increase whereas those under age 55 suffered income declines.

Also under increasing strain, said Dychtwald, are entitlement programs like Social Security and Medicaid, which at the current rate of growth are expected to climb to 27% and 25%, respectively, of federal spending

"These disturbing trends favor the solutions that you in insurance and financial services industry offer," said Dychtwald. "The growth in entitlement programs is simply not sustainable.

"The [need] for guaranteed income is only going to multiply in the coming years," he added. "But to best fulfill that need, you have to understand the psychology of the people you serve. You may miss the opportunity in front of you if you don't take note of this."

Underpinning this psychology is a desire for a security. What 82% of pre-retirees seek most, said Dychtwald, is "peace of mind." Only 13% want simply to accumulate wealth.

Working with Clients

When working with clients, said Dychtwald, advisors will also have be cognizant of changing expectations about retirement as they age. Between 5 and 15 years preceding retirement, he noted, people generally expect to be happy after they transition of out of the workforce and achieve their retirement dreams.

This "imagination phase" then shifts to "anticipation" (0-5 years before retirement), "liberation" (0-1 year post-retirement) and, finally, a "reorientation" phase when retirees often face unexpected realities. Among them: the prospect of having a lower standard of living than they envisioned before transitioning to retirement; and the loss of "stimulation and engagement" because retirees are no longer connected regularly with families, friends and former colleagues.

Turning to retirement products, Dychtwald noted there is a huge pent-up demand for annuities offering guaranteed living benefits: Nearly two-thirds of the **SunAmerica respondents** said the ideal financial service product will be guaranteed not to lose value in a market downturn.

He added that the most valued quality in an advisor among 70% of respondents is "trustworthiness." Yet, in the aggregate, advisors only rate a "C-plus."

Dychtwald closed his presentation by noting that boomers will face several "retirement wildcards" in the years ahead.

"These include unexpected inflation and outliving one's money," he said. "Retirees will also have to anticipate the prospect of an unexpected illness, having to support family members, and dealing with a collapse of entitlement programs."