Delayed retirement invevitable: Dytchwald

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The concept of early retirement could be a thing of the past. That's one of the conclusions of a report by Dr. Ken Dytchwald entitled *Retirement at the Tipping Point: The Year That Changed Everything*.

The report, based on a survey executed in March, assesses the economic impact of the past year and outlines the reactions of survey respondents about retirement, family and finances. The findings were recently discussed during a media conference call hosted by Dychtwald, psychologist, retirement theorist and CEO of San Francisco-based Age Wave.

Findings include what Dychtwald refers to as "resetting the retirement clock" or delaying retirement due to the impact of the economic crisis.

"[Retirement] is our future dream and what became obvious to us is that today's economic crisis has a dramatic and powerful alteration effect on everybody's notion of retirement," Dychtwald said during the call. He explained that changes include many respondents' decisions to delay retirement, a reversal of the trend towards earlier retirement.

The report also deals with what Dychtwald terms "financial rehab," the need for individuals to handle finances more responsibly by living within their means. Rehab also means exploring connections between an individual's financial position and feelings of security, and placing a greater priority on family relationships. Then there's the concept of multigenerational 'Rubik' families in which respondents worried about having to care for members, although the proportion of respondents expressing concern varied by generation. Fifty one per cent of millennials (people born after 1980) were concerned that they would have to support a parent or parent-in law, compared with 44% of Generation X respondents, 31% of the boomer generation respondents expressing the same concern.

The report also covered respondents' concerns about having to make up financial losses, the shift from defined benefit to defined contribution pension plans, the effect of the markets on DC plans, increased savings rates and debt reduction.

"The movement up and down in the markets has an enormous impact, not only on peopleâ€™s private and personal investments â€¦ but on their pension (making this) a big issue," Dychtwald said during the conference call.

One advisor considers many of Dychtwald's findings applicable in Canada, since some financial and demographic trends resemble each other in both countries. The pushing back of the retirement clock means opportunities for advisors to assist clients by updating plans and discussing difficult choices which could include increasing investments through increased saving, working longer than planned or adjusting retirement lifestyle expectations, says Robert Fleischacker, president of Markham-based Stonehaven Financial Group Inc.

He says adjusting expectations could mean scaling back plans for European trips to travel within Canada instead, a sacrifice that might allow a client to leave the original retirement schedule intact.

Meanwhile, a client who has had a financial plan with conservative assumptions for several years may not have to delay retirement at all. "A good plan might plot compounded rates of return on a blended average of say 5.3% in the last five to seven years," Fleischacker says.

Clients who experienced double-digit growth before the crisis may have gotten returns ahead of the plan, leaving recovery to the original projection within grasp. A drop of 30% or more in pre-crisis dollar value may actually have left the portfolio 5% to 6% below target — a recoverable gap, Fleischacker notes.

On the investing side, opportunities may flow from the increased propensity to save, leaving advisors with sales opportunities for building client portfolios.

In the insurance category, the decline in DB plans and therefore the certainty of a completely predictable source of retirement income could boost the case for guaranteed minimum withdrawal benefit (GMWB) plans, Fleischacker says, suggesting that GMWBs have many of the same characteristics as DB plans.

Dychtwald's multigenerational 'Rubik' family concept may point towards a greater need for long-term insurance protection. The possibility of having to care for extended family members, combined with uncertainty over career and income highlights the need for private insurance. "Because they're private, you own them and control them. They're not tied to employment," he says.

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