



THE FINANCIAL REVOLUTIONIST

Opinion

Retirement 2.0?

July 20, 2018/ Guest Contributor

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As the onslaught of dire warnings about the disappearing ability to retire continues to inundate the popular press and our inbox, it begs the questions: “Are the warnings justified?”; “Is this true?”; and if so, “Why?” Have people simply become less responsible, or is there perhaps more to this than meets the eye? This sea change led me to take a look back to when the current crop of retirees entered the workforce, to understand what may have been different than for those who came before. To do this, we need to wind the clock back to 1935 and consider if part of the problem is the way in which we think about retirement.

When the Social Security Act was passed in 1935, setting the official age of retirement to 65, a man’s average life expectancy was 58. This throws a little more light onto several issues, not the least of which is the math, which you have no doubt guessed doesn’t work out well in the current environment. This of course went beyond the Social Security Administration to private defined benefit (pension) plans, and is now manifested in the plans individuals manage for themselves.

But maybe we need to ask, “What is retirement in 2018?” My good friend John Wolpert has written a number of “reports from the near future,” including one on the creation of [retirement community tech hubs](#). Maybe this is how we need to consider aging: when life expectancies have risen by 25% but the “retirement” age has remained unchanged, shouldn’t the concept of retirement mature? Putting aside the financial implications of this for a minute, there are sociological impacts that seem to hit home quickly after retiring. If you want to see some indication of this, just Google “boredom in retirement.” There are scores of articles and papers that provide remedies for those with time but little purpose in retirement. A good example is the

American Time Use Survey from the BLS, which found that almost 75% of the average retiree's day is spent eating, sleeping, doing household activities, and watching TV. Is it any wonder, then, that there are so many articles on overcoming boredom? If we think about this logically, rethinking retirement makes perfect sense. With an increase in life expectancy, there has been a corresponding increase in health, leading to an individual at 65 who will barely resemble his or her parents, much less grandparents, at the equivalent age.

By their nature, retirees are experienced and have skill sets that have undergone the rigor of time in the workforce. In some countries, this is now being realized. In fact, PWC's Golden Age Index estimates that if workers stay in the workforce at the same rate as they do in New Zealand, the OECD boost to GDP would be \$3.5 trillion. And while there are likely broader implications for the labor force, this also addresses some of the math referenced earlier. Perhaps not coincidentally, New Zealand also makes the list of the top ten happiest countries on the UN survey. Sadly, the US is quite a bit further down the list at number 18. If viewed in the context of the average retiree's day discussed earlier, does this validate the intrinsic human need for a purpose beyond simple existence?

While shifting the paradigm of retirement won't happen quickly, I believe it will happen once financial and sociological trends converge. An extended work life has the prospect of both individual and societal benefits, but only when coupled with other changes. One possible alternative is the notion of "transitioning" out of work over several years or even longer, instead of simply stopping. This provides "room on the bench" for the next generation, who conversely could transition into advanced roles. There are clearly no easy fixes for this predicament, but there are alternatives, in particular for those approaching 65.

The notion that retirement is an evolving concept is no longer a question but a fact. As such, there is a need to reimagine the ways in which a working life plays out in the current environment. These are not only considerations for those nearing retirement, who may feel the pressure a bit more, but also for the population in general. There are certainly aspects of working that need to be addressed, like changes in guaranteed minimum wages. With regard to retirement, there is also a need to ensure the availability of savings plans, 401 (k)'s, and similar retirement vehicles, possibly linking them to corporate profits or maybe even CEO compensation. But everything needs to start with an acknowledgement that the warnings are

likely true and that retirement mechanisms put into place beginning in 1935 are no longer viable in 2018. Indeed, we need a new retirement paradigm and we need it now.

Dr. Jimmie Lenz is an experienced executive, lecturer and scholar in the field of banking and capital markets. Starting his career as an equity trader over 25 years ago, he has held a number of senior management roles within the finance community and has numerous pending patents. (All views in this article are his own).