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Time to Retire the Idea of Retirement

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Americans are simply not saving enough, the economy provides less opportunity and ceasing work has all sorts of ill effects personally and socially

Financial advisors do a lot of things, but retirement planning is pretty much on the top of their list. That is because of all of life's financial milestones, retirement has the biggest price tag. Whatever a client's "number," the lifelong quest to save and invest for an uncertain future is quantitatively the zenith of the advisor-client relationship.

But, as is generally known, things have changed since the time retirement rose in popularity in the postwar era. Average life expectancy at birth in the U.S. is 75 for men and 80 for women, according to the Social Security Administration (using 2009 mortality rates). For men, that is 14 years higher than it was in 1940 when the Social Security Administration began issuing monthly checks to those who reached the retirement age of 65. (In fairness, it should be noted that the average life expectancy for a man who has already reached age 65 has risen not 14 but just 5 years, to 17 more years of life from 12 more years, since the advent of Social Security.) Rising longevity, advances in health care and increasing affluence made current conceptions of retirement possible: images of graying but physically fit couples at the beach or energetically wending their way through a golf course became regular features of Madison Avenue's ad portfolios.

But America's affinity for high-end consumption that this image of the good life represents is in jeopardy. First of all, it is hard to promote private savings in a culture that views consumption as society's cherished goal.

Secondly, the declining base of taxpayers makes an already dubiously financed Social Security system fatally vulnerable. At the latest possible moment, the government will be forced to lessen the generosity of Social Security benefits for workers under 50 years old or massively increase taxes on the working population.

Thirdly, America appears to have entered a stage of protracted slow growth. According todata from the World Bank, America's GDP growth rate for the past 5 years has been 2.2% (2012); 1.8% (2011); 2.4% (2010); -3.1% (2009); -0.4% (2008).
Mean-reversion optimists might argue that it's time for a new wave of economic growth that will lift private and public funding levels. But the tepid economic activity of recent years has occurred amidst a backdrop of historically unprecedented fiscal and monetary stimulus programs. They don't seem to have worked and may actually have crowded out productive uses of capital.

What's more, sophisticated analyses — taking into account an aging population, low birth rate and diminished immigration — suggest that 1% or less than 1% growth is the new normal.
What all this means is that American views of retirement are outdated and unrealistic for most. The average 401(k) balance is somewhere around $80,000, according to Fidelity Investments.

A study by the New School for Social Research puts total retirement savings for the *wealthiest*segment of Americans at their peak pre-retirement earnings—and specifically those who*make use of all available deferred contribution retirement accounts*—at $240,000 on average. (Fortunately these wealthy people often have other assets, as well as Social Security.)

With the average male living 17 years and the average female 20 years past the age of 65, it's hard to see how the cleverest of financial advisors can make such sums last at anything near preretirement consumption levels. Divide that $240,000 asset pool by 20 and one is left with just $12,000 of spending money a year.
Entrepreneurs are already at work with clever solutions to the problem. A new outfit calledHappy Hubs is packaging the retirement dream complete with private chef, in-house massages and surfing and whitewater rafting adventures … in Costa Rica.
Costa Rica is a beautiful country, and may be a fine choice for a select bunch. But for the majority of Americans who want to be in a place where English is spoken and children and grandchildren are close at hand, retirement in cheap Latin American or Asian destinations is not going to cut it.

But before making heroic efforts to rescue retirement, maybe it's best to question whether it was ever a good idea in the first place. Adventures, massages and golf are luxuries; they might make life more pleasant but not more meaningful. In contrast, building a legacy through family and playing a role in one's community was, historically, both the privilege and responsibility of a generation's elders.

In other words, maybe retirement was never such a good idea, anyway. Its escapist thrills and partying mentality has only depleted the wisdom and productivity of older Americans, probably contributing to dementia, depression and other illness while undermining younger generations that used to have more reliable babysitting resources at their disposal.

Economic reality is closing in on Americans. By rethinking popular but misguided concepts, they can vastly improve their material and mental well-being and contribute to America's economy and communities at the same time.

Americans should plan on working as long as they are able. If their abilities decline, they should think in terms of *de-intensifying* their work schedules rather than *ending* them, as long as that is possible. The added years of earning, likely at or near peak levels, would probably do more to end the later years' funding gap than any other solution.
Older Americans should also give thought to the good they can accomplish with age, experience and the wealth that that usually entails.

In the words of the great American thinker Ralph Waldo Emerson, "Every man is a consumer, and ought to be a producer." Those who have the most to give have withheld those gifts for far too long, to the detriment of American society and themselves.

It is past time to retire current concepts of retirement.