

Retirement **Redefined**

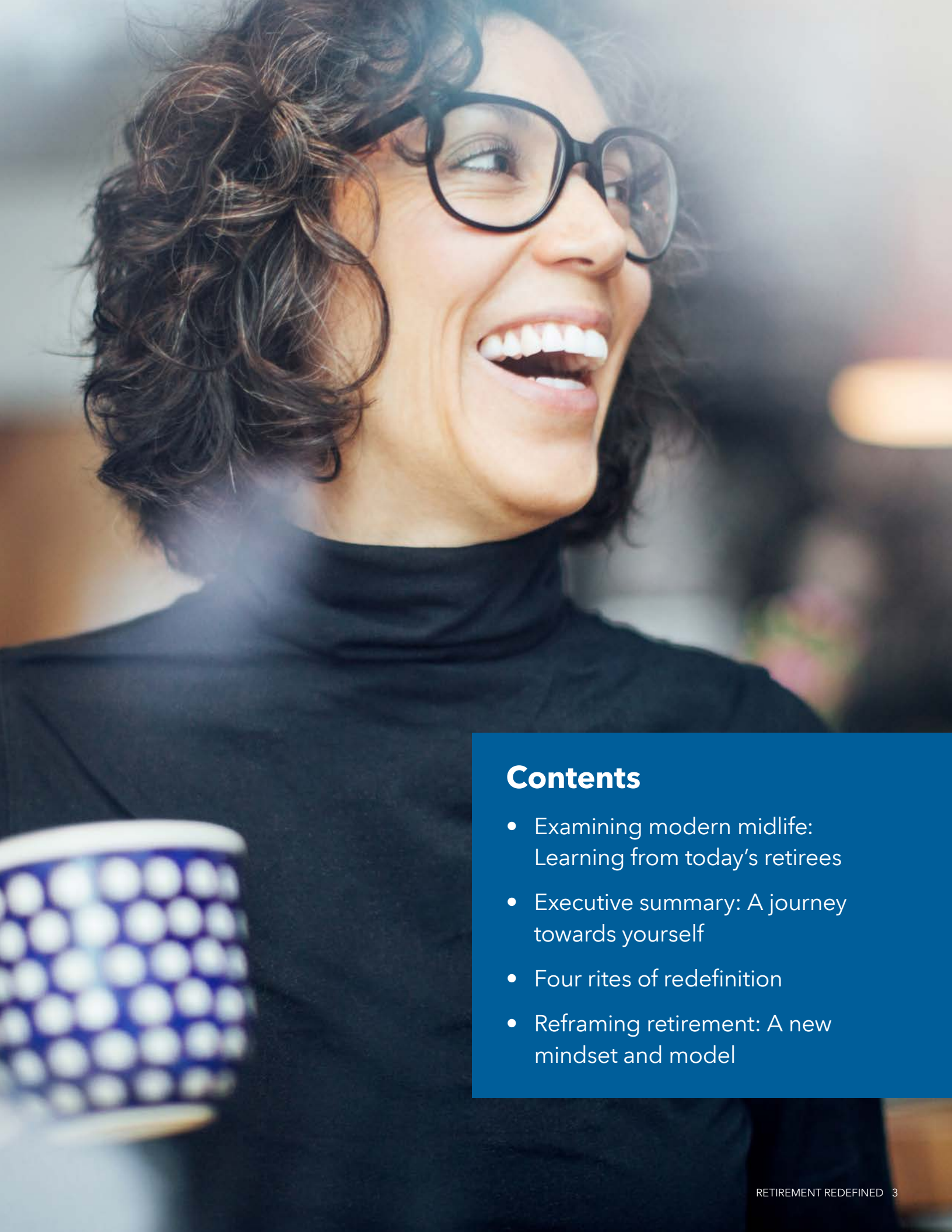
Capital Group's insights into modern midlife

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How are today's retirees redefining the retirement life stage?

Retirement has long represented a transition into leisure, rest and retreat. Culturally, retirement is celebrated as a hard-earned reward for a lifetime of hard work and successful financial planning. But we are witnessing a shift in how today's retirees are designing this phase of life, creating new opportunities for financial professionals to expand and deepen their engagements with clients in this dynamic life stage.





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Examining modern midlife:

Learning from today's retirees

When we think about retirement, images of happy couples walking on the beach enter our minds. But today's retirement doesn't quite line up with that vision. The fastest growing age segment in the workforce is 65+,¹ and over 50% of retirees say they would continue working if meaningful work was available.² There is also the phenomenon of the "gray

divorce," with divorce rates highest in the 55-64 age group.³ Nineteen percent of households move their investable assets each year during the transition into retirement.⁴

Perhaps "retirement" is no longer an accurate term for the phase of life that begins when career employment ends.

¹ 2017 U.S. Bureau of Labor Statistics (BLS) analysis.

² 2019 American Working Conditions Survey (AWCS).

³ U.S. Census Bureau, Number, Timing and Duration of Marriages and Divorces: 2016 report.

⁴ 2016 McKinsey Money in Motion study which surveyed 10,000 end investors and included data from 70 financial services firms.



Today's midlife transition represents the beginning of a new phase of dynamic life change. By better understanding the experience of modern midlife, "unretirement" and emerging aspirations for what life can be in this stage, financial professionals can better anticipate and meet the needs of their clients. Client acquisition and retention in this dynamic period begins with understanding their midlife journeys.

We conducted in-depth, multistage research with six experts on modern aging and retirement culture and 18 investors in different stages of retirement across the country to better understand how this life stage is changing. Through a series of comprehensive interviews and personal journaling, they allowed us an intimate view into their retirement experiences – the highs and lows, their joys and struggles, and ultimately the profound experience of personal redefinition.

Executive summary:

A journey towards yourself

Our in-depth research with today's retirees reveals that they are in the midst of a dynamic life transition, when personal identity, lifestyle, relationships and sense of purpose are in flux. This brings a liberating sense of discovery and experimentation, but also means that priorities and "well-made plans" are likely to shift. Today's retirees are not only seeking guidance on the financial implications of these shifts, but also wisdom, security and growth-supportive guidance from their financial professionals.

True freedom, for the first time ever:

Liberated from the daily grind and busy family life, free of their most demanding obligations, they are finally able to live life on their own terms.

A time of reexamination: But it is only when the obligations fall away that there is an opportunity to authentically examine who they really are, reflect on what truly matters and imagine a life rooted in meaning. This exploration takes wisdom, courage and a willingness to leave parts of themselves behind.

Bold reclaiming of self: The moment of career retirement unlocks a new world of possibilities. We ask ourselves, ***"Who am I outside of the work I do and the income I earn?"***

The journey back to self: Today's modern midlifers are navigating four rites of redefinition:

1. **Reforming my identity:** Who am I without my obligations?
2. **Rewriting my script:** How will I fill the new space in my life?
3. **Exhibiting vitality:** How do I show I'm not done yet?
4. **Rethinking relationships:** Whom do I want to grow with?

For financial professionals working with clients in this time of transition, it is important to understand how they are experiencing this journey, the questions and possibilities that come along the way and how this time of redefinition is shifting priorities. Client retention and acquisition can improve through a more holistic view into this critical life period.

Four rites of redefinition

At the stage of career retirement, there are four common aspects of self-examination and life redefinition.

1

Reforming my identity



2

Rewriting my script



3

Exhibiting vitality



4

Rethinking relationships





Reforming my identity

Our lives are compelled by stories – scripts written by ourselves and others, evolving since birth. As we get older, collect life experiences, gain perspective and finally have the space to examine that script, it may be that the principal roles we’ve been playing no longer fit, if they ever did. **Leaving the workforce begs the question: Who am I now?**

“I think my journey is one about humility. When we moved to a new city after I retired, it was a chance for me to start over. It helped me lose baggage, shed preconceptions and simplify who I am. I am a truer version of me now. There’s still work to be done, but I’m far more patient and accepting of myself.” – Scott, age 64

DRIVING FORCE

Answering the question: Who am I without my obligations?

THE ENEMY

Wasting the rewards of life's experiences.

Growing bolder

The opportunity for reinvention is also a moment of reinvigoration. In this life stage, today's retirees feel permission to become an even better version of themselves, no holding back.

"When I reflect on my career and success, I think about all the people who helped me along the way. Maybe I've been taking a lot more than I've been giving, and now it's time to give back." – Frank, age 66

Reconsidering legacy

Today's retirees need to be certain that their lives have mattered, and that they made positive impacts on people and the world. The idea of purpose can often feel too self-centered, but retirees increasingly feel compelled to think and act beyond themselves.

"You have to be open to change, and willing to make it happen. I don't want to be an old person who sits around waiting for who-knows-what." – Ann, age 60



How to engage modern retirees

1. Ask questions about how they see themselves growing and evolving as people in this chapter.
2. Help align resources – money, time, energy – to new priorities, aspirations and needs.



Rewriting my script

The freedom of space and time in this stage restructures life in big and small ways. Some may even relocate, creating an opportunity for a total life “redo” – new location, new home, new social life and new possibilities. But even simple day-to-day routines are thrown into question. **“What will I do with all this time?”** There’s a desire to create a new rhythm of events in line with a reformed identity, and to avoid boredom and the feeling of “wasted time.”

“You don’t want to become bored. If you slow down too much, you can actually get overwhelmed. I have church on Thursdays, I volunteer on Mondays, I have eggs on Fridays. But there’s a fine line between structure and obligation. You want to keep control of your own time while still allowing yourself choice and flexibility.” – Sally, age 69

DRIVING FORCE

Finally having the space to do what I want, when I want and how I want.

THE ENEMY

The stereotypical retirement.

Rejecting clichés of retirement life

Of course, retirees may enjoy the peace and quiet that comes with this stage. But even for the more passive midlifer, the stereotypes of slowing down, passing the time and being a bystander to life are upsetting. They are motivated to actively challenge the view that their days are for idle leisure, without meaningful engagement.

FACT CHECK

Entrepreneurial activity among those over 50 increased by more than

50%
since 2008*

“Working after retirement, if it’s by choice, is less serious. There aren’t any negative consequences. You can relax and enjoy it.” – Ann, age 60

Searching for structure, on their terms

In this newfound freedom, unstructured time can feel uncomfortable, creating the need to proactively design this stage of life or become rudderless within it. But they are careful to not create new obligations. Activities, work and volunteering can provide structure, but only on their terms.



How to engage modern retirees

1. Reassess the meaningful events of this life stage – the milestones and experiences that could be supported by a personal financial plan.
2. Understand the bigger personal and lifestyle shifts that a relocation or move represent. How will this reshape their daily experiences and needs?
3. Nudge clients to proactively consider how they will spend their time, and provide examples of how daily life looks for other thriving retirees.



Exhibiting vitality

This time of redefinition can bring an energy of growth and discovery. Today's retirees see aging as a new stage of growth – not a decline. They may even reject the word “retirement” as it doesn't fit with the vitality and stage they feel they are in. They are consistently connecting, growing and challenging themselves physically, mentally, emotionally and spiritually. They seek to construct a life in which ongoing moments of growth keep them living vibrantly, signaling to the world **“there's still more to my story.”**

“Biologically and physically, I'm doing things other people can't do. I run marathons and cycle for long distances. This fills my EVP index – energy, vitality and passion. I rate very high on that, maybe even the top 10%. But I feel the impact of ageism, and wonder if recruiters look at my picture on LinkedIn and think, 'Wow, that guy's old.'” – Frank, age 66

DRIVING FORCE

Seeking out ways to engage with the world, proving I'm not done yet.

THE ENEMY

Irrelevance and invisibility.

"Retirement to me is a step before the nursing home. No thanks."

- Karen, age 60

Signs of vitality



Curious: Staying open to learning more about the world, evolving and growing along with it. Younger people are often a source of reverse mentoring, and travel becomes a chance to expand the mind.



Active: Staying physically active, capable and energized. There is often more time for exercise and the opportunity to improve health and physical condition.



Social: Beyond staying connected to friends and family, this is often about creating new friendships, finding people who fit into your new life design.



Striving: Having goals and projects that keep you challenged and connected to something bigger. This often comes through volunteering, working or even taking on a new personal skill.



Joy: Staying positive, spontaneous and playful in this time of new freedom, rather than succumbing to bitterness, resentment or regret.



How to engage modern retirees

1. Celebrate and support interests, passions and new avenues of personal growth, being careful to not downplay or discount any new endeavor.
2. Connect clients to opportunities for personal development through events and experiences that offer intellectual stimulation.



Rethinking relationships

In the process of rewriting the script and reforming identity, an assessment of relationships of all kinds takes place – friendships, family ties, marriages and professional relationships. As midlifers try to align who they are and who they aspire to be, relationships that constrain growth may be deprioritized or even purged. This reset also shifts energy towards relationships that feel aligned with their renewed sense of self.

“I still have a few strong friendships that are decades old, and I cherish them, but I’ve let others go. I am very intentional about which ones I cultivate. I don’t want to waste time. I think I’ve got a good 10 years left. I want to make the most out of every minute, including the quality of connection in my life. That’s why, as I’ve gotten older, I’ve become less interested in relationships that don’t feel good – and I mean, every relationship. If I need an exterminator and I don’t like his vibe, I’ll move on to another one.” – Karen, age 60

DRIVING FORCE

Investing only in the connections that drive contentment and growth.

THE ENEMY

Obligation and complacency.

Evolving together

As of 2020, only 20% of couples retire at the same time (according to Beth Braverman, considerable.com), so each partner may be on a different stage of the journey. As two people hone their identities, it's not always in harmony.

Selective and intentional

Friendships and social circles can also shift as priorities and interests evolve. Even service-based relationships, including financial professionals, may be reevaluated. Midlifers are looking for relationships that support their new chapter, not settling and becoming complacent.

GRAY DIVORCE

Divorce rates are highest among ages

55-64*

"When my husband's career ended, it was a huge blow to him. Men are different – they really need a purpose. He was lost for years. But for me, I'm more free-spirited. This should be a time of freedom, but I feel like I'm hiking uphill with a huge iron ball shackled to my ankle. It just isn't what I thought it would be. My husband and me are so different as we age."

– Lisa, age 64

"Up until this time, there was always somebody else to satisfy. You do things for your parents, your spouse, your children. I have none of those things now. I thought about whether I would remarry. I would like the companionship, but I want to do my own thing and be free. I want to do life my way." – Jo, age 66



How to engage modern retirees

1. Help clients network and connect with other like-minded individuals or "retirement mentors" who can share wisdom and guidance about this life stage.
2. Be prepared and empathetic for clients who are going through a divorce, understanding that it may reflect shifting identities, priorities and needs that you can better understand.

*As of 2016 according to the U.S. Census Bureau

Reframing retirement:

A new mindset and model

Retirement is indeed changing, and supporting retirees through their retirement journeys begins by understanding the retirement experience in a new light.

Journey versus event

Progressing over years, the experience of retirement starts long before we leave our careers, requires transition and continues to change as retirees explore and experiment. **It is important to see retirement as the beginning of a new life chapter that spans years and stages, rather than a destination or ending.**



Holistic versus one-dimensional

While it has become synonymous with career-long financial planning, retirement is about much more than money matters. In reality, **financial stability is just the foundation upon which fulfillment, identity reformation, connection and joy are constructed.**



Engage versus retreat

The word “retirement” perpetuates the belief that once we reach older age we are expected to fade into the shadows, immediately losing significance and power.

However, we found that today’s retirees are liberated, emboldened and prepared to reclaim their time.



Growth versus stagnation

Some may believe that retirees are cognitively challenged, resistant to change and happiest in their easy chairs. **But today’s retirees are full of intellectual curiosity, passionate creativity and thirst for discovery.**



A new model for client engagement

The evolving client mindset presents an opportunity for financial professionals to expand and deepen the dialogue as clients navigate this highly transformative life stage. But making the most of this opportunity requires a new mindset about retirement and a new model for client engagement.

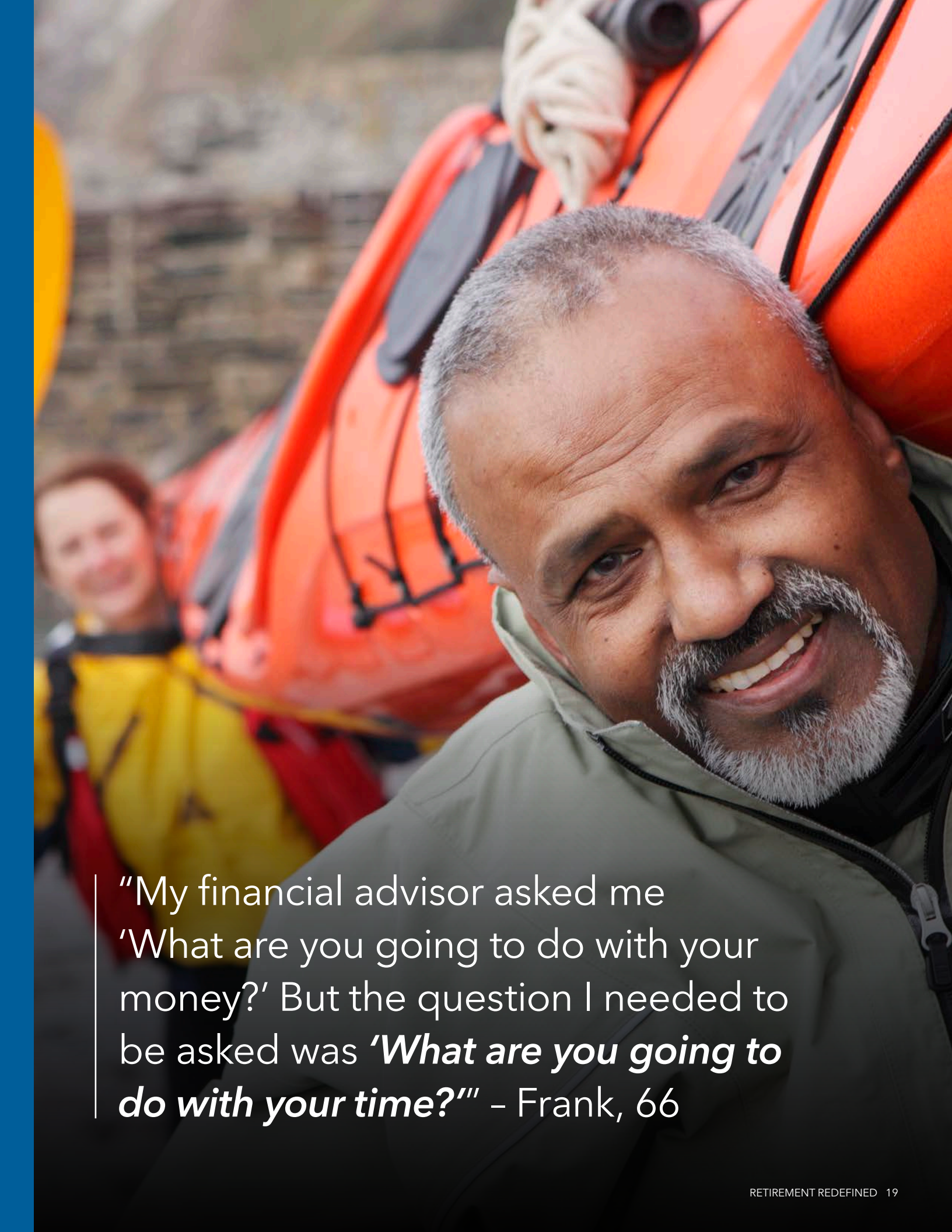
Key shifts for financial professionals

Less of this...	More of this...
Process oriented	Goals oriented
Retirement as point in time	Retirement as a fluid journey
Technical expertise	Seasoned wisdom and perspective
Scarcity mindset (i.e., how can I make your money last?)	Abundance mindset (i.e., how can I support the wealth of opportunities before you?)

Contrasting client experiences

“Financial advisors are like doctors now – get in, get out, overly focused on numbers rather than the person. There’s no relationship.” - Sally, 69

“I work with two financial advisors. One is younger, and I would never expect him to understand what all this feels like. The other is older, and he’s been vulnerable about his own experiences at this life stage. I feel like I could share more with him.” - Lisa, 64



"My financial advisor asked me 'What are you going to do with your money?' But the question I needed to be asked was '**What are you going to do with your time?**'" – Frank, 66

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Capital Group, partnering with insights and strategy firm Waterson Garner, conducted a qualitative study with thought leaders and 18 retirees over a series of interviews and online research. The study explored the changing mindsets, needs and aspirations of modern midlife, including the transition into career retirement, the role of retirement planning and experiences with financial professionals. The online study was conducted in June and July of 2021, and Capital Group was not revealed as the sponsor. Respondents represented high net worth investors between 55-70 years old from across the U.S.

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