

The changing nature of retirement



**Managing retirement today in your
organisation**

The Changing nature of retirement

Since the removal of the default retirement age (DRA) in 2011, the nature of retirement and the decision making around it for both employees and employers has changed considerably. The economic and political environment around retirement is also changing.

The principal factors are:

- the need for earlier and more careful planning to decide when to retire now that the decision is largely in our own hands
- the gradual changes to work and retirement such as longer working lives, more phased retirements, more focus on work/life balance in later life and portfolio lifestyles, later state pension age and the increasing length and active nature of the retirement period
- the increasing number of retirees who are members of Defined Contribution rather than Defined Benefit schemes, or combinations of the two and therefore have more important decisions to make to secure their financial future in retirement
- the financial pressures leading to difficulty saving for retirement from early career onwards.

This results in a number of challenges for both employees and organisations.

As individuals how do we now decide when the right time is to retire?

Clearly finance plays an important part, and we will come back to that, but just as challenging, if not more so when getting close to retirement, is deciding how to spend 40-50 hours additional leisure time each week for the next 20-25 years. Now, when the decision is in our own hands, the danger of drifting on without making that decision and missing the opportunity that retirement provides is considerable.

We are all different. Some of us can't wait to retire but many are concerned and some even frightened of how they will spend their time in retirement. In reality few of us have an understanding of what retirement is like today or how it will be for us. There is also little understanding of exactly how our income and outgoings will change in retirement

and we don't always realise that some things become less expensive, or that we might actually enjoy still doing some work in retirement to top up our income.

It is also one of the biggest changes of our lives, going from a situation at work where we have structure and expectations of how we spend our time, to one of no structure and no expectations where we have to effectively write our own job description for the next 25 years!

So there are now significant barriers to us taking the decision to retire, and for most people without any outside support it is a fairly emotional decision. Historically, unless an organisation has provided pre-retirement support through offering a pre-retirement course, the majority of people spend less time planning their retirement than they do planning their annual holiday.

Pre-retirement courses, or at least those that cover lifestyle as well as finance, have always been a valuable aid to removing concerns, enabling people to understand and start planning what their retirement could be like, start to see it as an opportunity, decide when they might like to retire if they haven't done so already, and approach retirement from a logical point of view rather than an emotional one.

However the majority of organisations have typically only offered such courses in the last year before retirement. Now in a post-DRA world it has become much more important to help employees with their retirement thinking earlier, so that they can understand the opportunities it presents for them personally and then make a logical decision about when to retire.

Will finance constrain our decision making?

However to be in a position to make such lifestyle decisions we need to have considered and planned our finances much earlier in life, so that we are confident that our finances will support either partial or full retirement at the time we want to make the change.

Traditionally those with final salary schemes had little to worry about as they could be confident of the amount they would receive as a pension. With the rapid move to Defined Contribution schemes, building up an equivalent

pension pot is both harder and less predictable because of the dependency on investment returns and on the annuity rates applicable at the time of retirement.

So being in a sound financial position at the time of retirement requires financial retirement planning and saving to start as early in one's career as possible. There is also more onus on the individual to learn about finances early on so that they can make sound financial judgements and later on make life changing financial decisions. However poor financial education is extremely common and for most young people retirement, and saving for it, seems a low priority.

The Challenges for the Organisation

The organisation of course also has significant new challenges. The DRA and related process did provide a useful vehicle for initiating retirement discussions. Now the organisation needs to put in place its own approach, ideally starting much earlier. In addition, the organisation faces challenges including: increased difficulty of forward planning; the dangers of managers inadvertently sparking age discrimination cases by inappropriate handling of retirement discussions; and the need to use performance management in situations where they may previously have relied on retirement as a means of not needing to address issues.

Research by Laterlife Learning shows that, historically, conversations about retirement between manager and employees frequently didn't take place until the last moment. It also shows that when they do take place, managers, especially younger ones, are ill-equipped to help them with their concerns. A survey by the Institute of Employment Studies into Planning Retirement and the assistance given by organisations also highlighted this.

So with the increased difficulties of instigating these discussions there is a clear need for organisations to address the issue of training managers in the specific aspects of managing older employees and their eventual transition into retirement. In addition there is a need for this to be done within the context of a retirement policy and approach that encourages and supports retirement discussions.

However the organisation also needs to assist employees to be in a position where they can make retirement decisions. This is true both from the point of view of being a good employer, and from the point of view of making it easier to manage retirement within the organisation. If employees aren't assisted there is a danger of employees drifting on, reacting emotionally rather than logically to the idea of retirement, wanting to work on when it is really neither good for them nor the organisation, all potentially leading to increased need to make use of performance management measures.

What can employers do?

The key objectives must be to help employees:

- (a) be in a position to have adequate finances for their retirement in order to achieve the retirement lifestyle they want
- (b) plan their retirement lifestyle: both to remove any concerns about retirement and to help them decide when they would like to retire
- (c) be in a position where they can have logical rather than emotional discussions about retirement to the benefit of both parties.

This suggests that ideally there is a need to provide assistance at each stage of an employee's career:

Early Career - In the first 10-15 years of an individual's career there is a need to equip them with a general education on all aspects of finance that will stand them in good stead throughout their careers, and within that to look at the importance of, and options for, starting to plan their later life and retirement finances now. Similarly new joiners who haven't had such education would also see this as a benefit.

Mid Life – at around 50, or 10-15 years before possible retirement, is a crucial time for everyone. At this time it is still possible to make changes that can significantly improve retirement finances, so it is a crucial time to take stock. The type of retirement lifestyle one wants will also start becoming quite real, as will thoughts of when to possibly retire. Finances should be planned in this context. So again if the organisation can

provide a mid-life retirement planning course with a mix of finance and lifestyle planning it will be of very significant benefit.

Later Life – around 3 or 4 years before retirement the traditional pre-retirement planning course becomes appropriate as it addresses all the issues raised earlier to do with understanding what retirement might mean to the individual, removing concerns, deciding when to retire and enabling logical conversations between individual and organisation.

In addition training of managers to understand issues surrounding retirement and to conduct conversations about retirement in a non-discriminatory way will ease the whole process of managing retirement within the organisation and enable planning and outcomes that benefit both employees and organisation.

The benefits to the organisation of providing Career Long retirement support

The benefits to the individual of providing all of the above are very evident. Traditionally organisations have provided pre-retirement courses as part of being a good employer and as part of their retirement process and there is evidence that doing so is seen as a valuable thing by those attending and also positively impacts other employees' perceptions because it is not seen as being something the organisation has to do. The same extends to both Early Career and Mid-Life assistance.

In the future, however, there are more direct benefits to the organisation, largely towards the end of careers, because such workshops achieve five objectives:

- (1) they help individuals be in the financial position to retire or partially retire when they want to, hence they will not need to carry on working when perhaps it is not the best thing either for them or the organisation
- (2) they help individuals decide when they might want to retire
- (3) they replace concerns and a potentially emotional decision about retirement by a much more logical one based on proper understanding of the opportunities as well as the issues

- (4) as a result they engender much more balanced discussions about retirement between manager and employee such that forward plans can be formulated to the benefit of both parties
- (5) coupled with an appropriate retirement policy and associated organisation approach to retirement they reduce the potential for age discrimination issues to arise

As well as assisting the decision about when to retire, just to underline the value of pre-retirement workshops, a survey by University of Greenwich in conjunction with LaterLife showed a 19% increase in life satisfaction in retirement for those that had attended a pre-retirement workshop and Laterlife Learning's own survey showed a 30% increase in the level of enjoying retirement as a result of attending.

So for both individuals and the organisation career retirement support is an extremely important and worthwhile employee benefit.

How LaterLife can help

Not surprisingly in analysing the above situation and needs, we have put together a complete portfolio for managing every aspect of retirement in an organisation. In particular this includes a Career Retirement Planning programme.

In summary this portfolio includes:

- Our traditional 1 day Planning Retirement Workshop for those within a few years of possible retirement. This covers all aspects of planning retirement with a focus on lifestyle aspects. It recognises the changing nature of retirement and the increased likelihood of phased retirement and portfolio lifestyles. It also assists the decision when to retire for those who haven't already done so. It is offered as part of our open workshop programme around the country or as an in-house option.
- As well as our traditional 1 day Planning Retirement Workshop, the option of a 1½ day workshop where the extra ½ day provides additional finance information for those with a particular need or interest in this area.

A Career Retirement Planning programme consisting of:

- EarlyLife Retirement Planning
- MidLife Retirement Planning
- LaterLife Retirement Planning
- 1-1 Financial Clinics

At the early career stage the focus is on general financial education, with retirement as one specific long term planning need. As delegates progress through the Career Retirement Planning programme the balance shifts gradually to lifestyle planning. The short 1-1 Financial Clinics can be related to retirement or any financial matters.

- LaterLife in Action - a supplement, or alternative, to the organisation's own communications to the pensioner community. It provides web facilities with relevant reference information, monthly articles, and associated monthly email newsletters.
- LaterLife at Work - provides a bespoke solution to any needs an organisation may have in addressing strategic and practical issues relating to a multi-age workforce and extended working lives.

Note that the extra Finance ½ day in the 1½ day workshops and the EarlyLife and 1-1 Clinics are provided in conjunction with finance professionals from Jelf Group, a leading Employee Benefits organisation.

If you would like to receive a summary of the entire portfolio, or datasheets on any of the individual items, see 'How to obtain more information' at the end of this document.

About LaterLife

At LaterLife Learning we are retirement specialists, providing both in-house Planning Retirement workshops and the most extensive schedule of open workshops available in the UK. The workshops cover every aspect of retirement and receive unparalleled feedback.

Our reputation has been built over the last 14 years based on the lifestyle focus of our planning for retirement workshops, enabling us to provide the most effective courses available. As a result we have become the leading provider of open courses all around the UK.

We have already extended what we offer to mid-life retirement planning courses but now we are able to take that much further and in particular to introduce our Career Retirement Planning programme, which provides for financial education early in employee's careers, including financial retirement planning, plus other financial education options throughout their careers.

This new portfolio has been enabled by the fact that as from 1st October we have become part of the Jelf Group which is a leading independent consultancy providing expert advice on employee benefits, healthcare, insurance and financial planning for businesses and individuals. We will remain an Independent Company within the group.

This merging of LaterLife into the Jelf Group brings together the complementary capabilities of LaterLife's 'retirement lifestyle' knowledge and skills and Jelf's financial professionalism and services for organisations. As a result enabling an end to end 'Managing Retirement' offer, with experts available in every aspect.

We also believe this is extremely timely for our clients. Both the merging and the new Managing Retirement portfolio are driven by the changing nature of retirement as described earlier.

The new portfolio means that we can jointly assist with any aspect of retirement planning or of managing an extended age workforce and tailor what we provide to meet any Employee Benefits need.

Other Employee Benefit Services

Through our association with Jelf Group a range of other Corporate Services are also now available should you so wish. In particular a Retirement Income Finder Service for employees, which provides easy access to the Open Market Annuity Option for those with Defined Contribution pension schemes. In 2012 those using the service averaged 21% increase in annuity as a result and 64% qualified for some level of enhanced annuity.

How to obtain more information

If you would like to receive a summary of the entire portfolio or datasheets on any of the individual items mentioned just email learningteam@laterlife.com and we will email the information to you. Alternatively call us at

LaterLife on 01189 88 01 88 and we'll be pleased to discuss any aspect with you.