

RETIREMENT ALTERNATIVES

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It seems the major goal of our work years is this magic word called “retirement”. Our whole culture is obsessed with it. By the time we get into our late-forties, many people start looking forward to retirement as a time when they no longer work for money. Retirement is like driving off a cliff. We suddenly go from a world of work to a world of lots of free time. Retirement is seen as a goal and an endpoint in a major portion of one’s life. But this outcome may not be possible or desirable. If a person is able to save a modest amount of money and stay relatively healthy, it is possible to change one’s mix of work and time off on a gradual basis. I call this gradual shifting of one’s time Part Time Retirement. Using a Part Time Retirement model for our lifestyle allows us to have much more flexibility and choice.

Unfortunately, based on the current rate of savings of most people, all they have to look forward to in retirement are social security checks and a small savings from their employer sponsored retirement plans and IRA’s. Savings rates of most people do not come close to providing the amount of investment capital they will need to live a decent lifestyle in their retirement years. In addition, with life spans increasing, someone retiring at age 65 is likely to live 20 to 30 more years. This additional time in retirement means that further increases in retirement funds are needed. The result is that for most people, a retirement with a hoped for lifestyle may be beyond reach.

Many people also do not have many hobbies or interests that they develop outside of their work. Waiting to do this until retirement makes development of hobbies and interests that much harder as going from a structured day based on work, to a day with relatively little structure can be very difficult to adapt to and motivate oneself in. Hobbies and interests cannot be turned on and off at will. They must be nurtured and developed. This takes time.

Hopefully, you are involved in a profession, business, or work which you find fulfilling on a personal level. Ideally, getting up and working provides a sense of pleasure and accomplishment in your life. If I am doing work which I find deeply fulfilling and challenging, do I really want to completely retire from work?

Let’s assume that you are able to save money on a yearly basis. Also assume that you are paying down your debts and generally lowering your fixed overhead expenses in your life. This involves paying off your loans and mortgages and paying cash for more and more purchases. As you progress through the years, your debts go down as your savings increase. What you are creating are more choices in your life. You have more options to spend money on discretionary items. As your net worth increases with declining debt payments, your ability to pick and choose how to live and how much you want to work and play begins to go up. Because your overhead payments are lower and your investment income is starting to rise, you feel less financial stress in your life. When you were less secure financially, if your business had a slow month you felt like your back was up against the wall. You had to borrow or hold back on payments to make it through the slow time. With a larger net worth and smaller overhead, you still feel bad about the slow months. However, you don’t feel totally stressed out. The pressure begins to ease up.

If you are an aggressive saver and have saved 20% or more of your gross income over the years, a full retirement is a real possibility. However, if you haven't saved much or have started late, your funds are not adequate for full retirement. The answer is to slowly begin to downsize your business and personal overhead. More and more people are telecommuting and working out of their houses. Back in the Northeast, professionals very often work from home offices seeing clients or patients. As more people are self-employed and working from home, the professional home office will become more and more accepted. At some point, moving your business into your residence (after possibly moving your residence to a more convenient location) is a way to radically cut your overhead costs. This cuts down on your commuting time and automobile costs. With the lower overhead, the financial pressure further lowers. By joint venturing with another like minded professional, you can cover for each other. This can allow you to take increasing amounts of time off for travel and to pursue interests and hobbies. Remember that lower fixed overhead means that you don't have to earn as much to pay your bills and maintain your lifestyle. By downsizing your residence, you can eliminate or reduce mortgage payments. Also lowered will be many of the complementary expenses that go along with a larger residence such as upkeep. This can further free up cash flow for your part time retirement. Increasingly you can take longer vacations and more time off. With the financial pressure lowered, work that was getting to you because you didn't seem to get rewards from it can become more fun and fulfilling again.

Part time retirement can also make up a significant shortfall in your social security and other retirement income. It can mean the difference between having your later years be filled with new learning and experiences and being stuck in a downward spiral that has no hope of recovery from.