

Noel Swain: Phased Retirement, part 1

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Otis was ready to retire. He had turned 66, had applied for his full Social Security and had a

company pension along with a considerable amount in his 401(k) and IRA. But before he turned in his retirement papers at work, he made an appointment with his financial adviser. He needed to get some questions answered. They worked together to see what Otis' income would be once that day came. And even though he and his adviser determined that he would be getting very close to his take-home pay after retirement, he still had an uneasy feeling about it.

Otis, it turned out, didn't quite know what he was going to do with all the extra time he'd have when he retired, and besides, his boss had urged him to stay on, at least part time. That's when his adviser brought up the idea of a phased retirement.

According to a report by TransAmerica, two-thirds of baby-boomer and pre-retirees "envision a phased transition into retirement during which they will either continue working, reduce hours with more leisure time to enjoy life, or work in a different capacity that is less demanding and/or brings greater personal satisfaction. Only 21 percent expect to immediately stop working when they retire."

Otis liked the idea of slowly transitioning into retirement. It would help him emotionally prepare for the day he no longer had a job to go to every day. He would have some extra time to pursue

other interests, he could test the retirement waters to see if he would like life without a job, and he'd still get a paycheck, allowing his retirement assets to continue to grow.

Phased retirement or retirement in general, isn't for everyone. Even though it can help ease the transition, retirement is still a major life event, and one we need to prepare for both financially and emotionally. While most pre-retirees understand how important it is to have a solid financial plan, sometimes we don't plan emotionally for this new phase in our lives. That's why preparing ourselves is so critical. Failing to do so can make even the best financial plan irrelevant.

That's why good financial advisers will ask pre-retirees to tell them what they believe retirement will look like to them. What outside interests might they want to pursue? Would they want to do volunteer work, get a part-time job or start a whole new career?

Making retirement what we want it to be requires both thoughtful planning and experimentation. With phased retirement, one can ready himself emotionally while learning about all the opportunities a well-planned retirement can bring.

To put it simply, dipping our toe in the water is sometimes easier than jumping in all at once.

In my next column, I will discuss the financial pros and cons of phased retirement that may better help you decide whether this is something that you might want to discuss with your financial adviser.