Let’s Talk

Conversations that make a difference
Retirement

It’s a process, not an event.

The best way to transition through any of life’s major changes and challenges is to plan ahead. With retirement, we usually think we have an idea when it’s coming, so we have time to plan. But all too often, things change. Planning for retirement—like planning for marriage, having children or buying a home—begins when people talk, question, wonder and IMAGINE THE POSSIBILITIES.

What will my retirement really be like?

Will we have enough money to live our dreams?

What am I supposed to do with all this “free” time?

Will my retirement be as successful as my career?

What opportunities will this new phase of life bring?

What can I do today to raise the probability of a happy, fulfilling life in retirement?

The questions, the planning and the process can take years; and while the conversation intensifies as retirement draws near, it’s never too soon to start (or continue) the discussion.

LET’S TALK TODAY.
There's no one model for how to retire

Everyone has an idea of what retirement will look like. The picture in your mind may be fuzzy and scattered... travel... volunteering... exercise class... books... gardening... museums... a new business... gourmet cooking... long walks... bridge... lunching... yoga... learning new skills... grandkids... concerts... antiquing... visiting?

But when you get around to talking retirement with a spouse or partner, are they seeing the same image? ...lazy days ...lots of leisure ...catching up with TV ...laid-back socializing ...naps ...eating out ...lack of routine ...beach ... photography ...poker ...ESPN ...mentoring ...freedom! ... fishing ...a hammock.

Make others part of your planning

One of the challenges of retirement is arriving at a shared vision for the future. When we look to the years ahead, we more than likely see someone else there with us: a spouse, a partner, a sibling, a close circle of friends. Do the people you value know how they figure into your future? They will if you make them part of the retirement conversation.

For couples, it’s not necessary to adopt each other’s interests in retirement, but it is helpful when you have lifestyle ideas in common. Does one of you envision a modest retirement and the other look forward to an extravagant lifestyle? Is one of you lining up travels for a stay-at-home partner? It’s important to retain autonomy, but it’s also important to arrive at a lifestyle plan with which both parties can be comfortable.

"The first step to getting the things you want in life is this: decide what you want."

- Ben Stein

You are more than what you do.

Think up a new description for your retirement “business” card.

Me in Retirement...

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Have some fun.

Create a business card imagining what your retirement role looks like; then have your spouse or partner create one for you, too. Compare them when you’re done and see how compatible they are. Try it with your friends too. They can be great sources of inspiration and insight.

genworth.com/lets-talk 3
Let’s Talk …Regardless

Couples often hesitate to talk about retirement. Some feel it will take care of itself—after all, could something so natural, widespread and pleasant actually require a lot of effort and attention? Absolutely. **Weekends take care of themselves; retirement does not.**

It can be scary. People sometimes suggest that retirement is the enemy of longevity. The myth that retirement equates somehow to early death can be a conversation stopper.

There’s also the potential for an uncomfortable conversation: for instance, being together 24 hours a day may not appeal. If there is already stress in a relationship, retirement may exacerbate it. Dare we talk about that?

Actually, like so many things in life, retirement comes with both apprehension and anticipation, with days of serenity and moments of surprise. Keep the lines of communication open because the conversation that starts today is always meant… “To be continued.”

**Now you’re the boss—that’s good**

Retirement is life’s dessert, the reward for your long working life. Much depends on having enough money available to support a successful retirement. If you made plans in advance, retirement can be extremely satisfying. When you’re retired, do what you want, when you want. Being in charge of your life is the ultimate reward.

**The unknowns and the unexpected**

Things happen. Becoming a caregiver or assuming responsibility for unpaid college loans can certainly change a retiree’s financial strategy—as can health problems of your own.

There are many uncertainties that a couple may face. Will they outlive their money? Will extended nursing home stays or other long term care become necessary? Will downturns in the economy hurt them?

Every stage of life comes with its own surprises—and the unknowns and unexpecteds can also turn out to be opportunities. Talk through all the possibilities you can think of, and focus on flexibility.

**What’s the downside?**

You may begin to miss the structured work-world routines, the social interaction, the projects, the praise and personal satisfactions of a job well done, and the paycheck! A 16-hour stretch to fill up every day can overwhelm some, delight others. It might take you a few years to settle into a new normalcy. Or you might just settle back and enjoy the hammock!

“**There is life after retirement, and it is better.”** – Catherine Pulsifer
Big Retirement Myths

MYTH NO. 1
Your most important concern is the money you’ll need.

Actually, no. How you want to live should come before how much you’ll need to have on hand. Choose the first, then plan for the other (and be prepared to pivot).

MYTH NO. 2
Social Security, savings or my 401(k) will see me through.

You may need all three—and probably more. A major illness can quickly deplete savings, a stock market slump can affect your 401(k), and Social Security was never meant to carry the full weight of retirement. If you’re worried or unsure, ask your financial professional about exploring other options to help protect your retirement, such as an annuity or long-term care insurance.

MYTH NO. 3
Retirement means you disengage from life.

Some people do, but retirement can be enhanced for those who stay active and interested, maintain their social contacts, who build a new routine and embrace new possibilities. Each person must choose his or her own path to their version of a satisfying life.

MYTH NO. 4
My spouse will try to control my life.

Retirement doesn’t have to be a power struggle at home. If one spouse has worked from home or previously retired, it’s a pretty sure thing they will want to retain their space—and will not want you monitoring their activities any more than you want them monitoring yours.

MYTH NO. 5
The personal transition to retirement is easy.

It can be. And the more planning, imagining, and talking you do beforehand, the easier it will be. But keep in mind that dramatic change—even good change—is usually stressful and that an emotional reaction is normal.

MYTH NO. 6
I’m not going to miss work.

The opposite is often true, because structure, power and praise can be hard to give up, and loss of identity can really sting. What are you going to do without meetings, employees, professional responsibilities and routine? The answer: Seek opportunities that might provide some of the things lost with retirement—and keep a list handy of all that you’ve gained.

MYTH NO. 7
I’ll be bored with all that time on my hands.

Most retirees are not. As a clue to how your retirement might go, ask yourself these questions: Have I coped well with other changes in my life? Do I have people in my life to offer support? Do I tend to be a negative or positive person?

Bill & Lynne

had many talks about retirement over the years, long before it became a reality—and that was a good thing because Lynne’s idea of a perfect “second half” bore no resemblance to Bill’s. She was a science teacher who had grown up in the country, “where you could see the stars at night.” Bill was a driven associate at a software company, a city dweller and one easily bored in idleness.

Her ideal retirement would have been a cabin surrounded by beautiful scenery, his a club setting with a lot of socializing available. What they did share was a love of the mountains. Lynne enjoyed their majesty and beauty, and Bill loved to ski.

Over the years they had enjoyed wonderful vacations to West Virginia and the mountains out west. As a result of their retirement talks, they began to look for a condo they could buy to enjoy in their retirement.

A year before they retired they found a two-bedroom unit at a ski resort in the mountains of Virginia, an easy drive from their home in D.C. Now they spend time there nearly every week, often bringing along friends to enjoy the scenic beauty and, in season, the skiing. They’ve also made new friends and their retirement is going very much the way they had hoped.

It’s never too late to explore, to uncover new interests and to think in new ways. Perhaps you’ve lacked the time in your working years to pay attention to yourself, to develop other enthusiasms. Take the time now.

FOCUS ON YOU.
Retirement is not just a physical shift but a financial, philosophical and emotional transition as well.

You clean out your desk and bring home the personal items. You turn in the keys to the office and the credit card and cell phone. You hug your co-workers goodbye and shake some hands. You take the familiar route home, for the last time, but what part of yourself will you be leaving behind? And to what bright new adventure are you headed?

Looking back to the future.

You and your spouse or partner need to have a discussion covering such topics as “How will we deal with unexpected health care expenses?” to “What will this new-found time together look like?” to “Who will I be when I’m not a banker?” to “Should we try to save something for our loved ones?”

Each of you might write down what your ideal retirement looks like. Where will we live? How will we spend our days? What is it that makes us happy? Ask yourself: “When I used to think, ’If only I didn’t have to go to work today …’ what would I have done instead?”

Think back to the days when you were trying to choose a major in college or a career after high school. Wasn’t that a period of trial and error? Haven’t you tackled a number of kinds of jobs during your life to this point, and passed through a variety of pursuits and interests? Retirement is just one more “commencement,” the start of something altogether new, a beginning with twists and turns ahead but a blank slate in terms of what you can make of it.

What’s your personal mission?

You could begin your lists with a personal mission statement, spelling out your goals in retirement. This is the place to create your perfect retirement scenario. Now compare lists and look for common ground. Then look where your lists differ. Don’t be surprised to see something on your partner’s list you never considered, something that opens up new possibilities for you.

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my personal mission statement:

purpose:

aim:

goals:
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“You have to put off being young until you can retire.”

– Author Unknown
Second Half of your Life

Now let’s match dreams to dollars.

**STEP 1:** Sit with your partner and list your essential expenses—the “must-haves” that you pay each month or annually. That would include mortgage or rent, utilities, food, insurance, taxes, clothing, medicine, etc. (Add in a bit extra for “unpredictables” like vet bills and auto repair.) The total tells you approximately what your essential expenses will be.

**STEP 2:** Add up all the income you know you’ll have in retirement including Social Security and a pension—any income you can count on monthly. Now subtract that figure from the one above. Anything left over? If your retirement income will not cover the amount you’ll need, you may want to discuss other ways of making ends meet, such as adding an annuity to your financial strategy. (Consult your financial professional.)

But what about the “nice-to-haves”?

**STEP 1:** Discuss with your partner the non-essential but nice-to-have luxuries of life that each of you enjoy—the occasional hour-long massage, the greens fees. Also include expenditures that are important to you personally, such as picking up a dinner tab now and then or special gifts you give—it’s good not to deprive yourself of things that make you who you are. Each of you make a list of five, then determine the top priorities and estimate how much money both will require monthly or annually for these pursuits.

**STEP 2:** Look at your personal savings or other assets that have not been designated for essential expenses. This is money you might draw from to fund the nice-to-haves. If you’re withdrawing from savings, you will need to determine the percentage of savings you will be using up each month in order to ascertain how long your savings will last. For example, if you have $100,000 saved and you decide to withdraw $10,000 annually for these incidentals, you will have spent all your savings by year 10. Part of the “art” of retirement income strategy is to match your withdrawal amount to how long you want your savings to last.

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Financial

Do you remember when and where you were your happiest? Get out the family album and have a look. Where were you when your smiles were the widest? Family photos are a wonderful source of information about what makes you happy. Consider them as clues that will help guide you to a happier “second half.”
It’s both reassuring and realistic to look at retirement as a journey, rather than as a destination. Retirement is, after all, an ongoing, moving, ever-changing life stage—one that can be honed, crafted and refined into an amazing experience… an amazing series of experiences. The opportunity to take control of one’s life, to become a tremendous resource for oneself, and to continually refine and re-define the process of retirement may well be the best work any of us will ever do.

TIPS TO HELP

PLAN YOUR RETIREMENT

Have that talk about retirement expectations and dreams with the people important to you—we can’t say that too often.

Take advantage of any company retirement plans or benefits. If your company matches 401K or other qualified plan contributions, sign up as soon as you can.

Resist withdrawing money from your retirement plan at all costs—because taxes and early withdrawal penalties can add up fast!

Don’t carry debts over into your retirement. If possible, pay off the mortgage, the car and certainly the credit cards.

Practice living for a month or two on the amount of income you can expect to have upon retirement.

Find a financial professional to help you sort through your options and prepare.

Don’t overlook planning for health care. Medicare can’t help you with certain expenses.

Make a trial run with your spouse of some activities you think you might enjoy in retirement. Test-drive a “retirement vacation”—take a road trip, climb a mountain, spent an entire week at home together—and discuss all along the way.

As retirement nears, start thinking of the emergency fund you’ve always kept in a special account as a “retirement emergency fund.” Reserves are just as important in retirement.

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2/3 of workers say their current debt level is a problem.

- Annual Study by Mathew Greenwald & Associates and the Employee Benefit Research Institute, March 2012
TIPS TO HELP AFTER YOU RETIRE

Give yourself and each other time. Everything may not be blissful immediately. One of the luxuries of retirement is that you have all the time you need to ease into your retirement role. Try not to make too many other big changes in your life concurrently with retirement.

Give yourself and each other some space—literally. Personal space is important—each of you needs your own “place.”

Give yourself and each other space—figuratively. Patterns have developed over the years that may or may not change: Who takes care of finances? Who does what around the home? Don’t try to change roles and “assignments” abruptly.

Do what makes you happy. What always put a smile on your face when you woke up in the morning? It’s still out there for you in retirement. Brainstorm ways to find the joy that work once offered.

Stay active. Exercise enhances mood and offers stress relief. Never overlook the importance of your health. Good health allows you to enjoy retirement on your own terms.


Feel free to change your mind. Your plan for your retirement can be anything you want it to be—and the beauty is, you can change your mind and choose a new path at any point. Your life’s not written in stone anymore.

If your dollars aren’t equal to your dreams, consider what you might do to raise some extra money. Make a list of things you could do that you would enjoy doing.

Stay in touch with old friends, and seek out new friends as well. Other retirees have the time to be spontaneous, might have good ideas you haven’t thought of—and will also be sharing the experience of a new life.

Be open to this time of possibilities. Start a new routine. Redefine what you do. Imagine what you might put on a business card now. If you know you have enough money, spend some. Don’t be afraid to enjoy your retirement—and remember the importance of flexibility.

“It is time I stepped aside for a less experienced and less able man.”
— Scott Elledge
It’s not your parents’ retirement scene.

In the good old days, employees often stayed with one company for most or all of their working years, and in return for that loyalty, the company guaranteed them a certain amount of money annually—often with an annual cost-of-living increase. If the stock market went down, the retiree’s income was not affected. And good health insurance was often part of the retirement package.

Today, workers move between companies with some frequency—sometimes not of their own choosing.

The traditional pension plan is disappearing fast. And if the market has a bad year, the retiree’s income can suffer as well.

Boomers (and those generations to come since them) also have to worry about the solvency of Social Security, Medicare and Medicaid. Long-term care plans assume new importance, and the cost of health insurance after retirement keeps many workers at their jobs far longer.

But then, recent generations are not necessarily much like their parents.

The next wave of American retirees looks and feels younger than previous generations did at their age. That’s good, because it means they stay active and take better care of their health. But that also means they may well outlive their money. Feeling young might also lead them to think they have all the time in the world to plan for retirement. (According to the 2011 Scottrade American Retirement Survey, 60% of Gen-Yers—those born after 1982—have saved nothing yet for retirement.)

Recent generations have similar attitudes about planning and saving—or not. What will their retirement look like?

The largest generation in history—80 million strong—is now retiring.

- Duke University Personal Assistance Service, “Baby Boomers are retiring” (website, May 2012)
What does the New Retirement look like?

Though their salaries and incomes have been generous, recent generations haven’t put aside much for retirement. They are also big spenders, accustomed to a more expensive lifestyle than the generations before them. So financially, a more restrained retirement may be a difficult transition for them. Psychologically, many are well prepared for it. They know how to enjoy their leisure time, have already explored a variety of interests, have undergone financial and personal changes, and have learned a certain flexibility.

Keep on Truckin’?
Surveys show that current workers feel the need to make a contribution both in and out of the workplace. That means many will continue to work past the traditional retirement ages—or, once retired, will find occasional work in a new field, perhaps. 70% of all boomers believe they’re going to work part-time in retirement. Starting with the boomer group, retirees may also be more involved in volunteering, consulting and continuing to use their talents and skills in their communities. Retirement happiness, it’s been said, depends on one’s ability to keep busy, make a contribution, think creatively and satisfy personal interests. Boomers and Gen-Xers should be quite good at all that … if their retirement plans and savings are adequate. (Gen-Yers, take note.)

Nearly half of boomers did not start saving for retirement until age 35 or older, but 58% say now they would have started at an earlier age.

– Scottrade, 2011 American Retirement Survey

Barbara
expected retirement to be easy, but was wrong.

When the middle of the first month came and there was no paycheck deposited to her account she felt frightened and anxious. She called her friend and said, “What am I going to do?” Her friend responded, “Don’t worry. You’re just going through one of those stages people face when significant changes impact their life.” Later Barbara passed through loss (of her normal routine and old life), resentment (of friends that were still employed) and anger (that she chose retirement too soon).
Those stages came to pass and a year later Barbara anticipates each new day and appreciates this new life. Waking up feeling glad that she doesn’t have to go to work and the luxury of doing activities at her leisure.
Getting Specific about Finances

We’ve spoken of the emotional aspects of retirement, the physical aspects and the philosophical issues involved—and hope that you’re prepared to discuss those matters in detail. Now we get to the subject that worries most prospective retirees more than any other: HOW DO WE PAY FOR RETIREMENT?

Most families have a version of a financial strategy, most typically a savings plan. During your working years, you’ve probably talked about how much you want to have accumulated by the time you leave your career. Your income strategy establishes how you’ll spend your retirement income in a way that lets you and your partner live the way you want to live—for as long as you live.

Some financial benefits of retirement:

• You generally pay fewer taxes—less income tax, and no Social Security and Medicare payroll taxes.
• You no longer need to save for retirement!
• Work-related expenses are reduced: wardrobe, gas, parking.
• If you’ve paid off your mortgage, your car and your credit cards (as previously mentioned), you could save a fortune in interest.
Paying Yourself in Retirement

Think of it as paying yourself a monthly paycheck—a steady flow of income to sustain the lifestyle you envision for your entire life. The challenge is to allocate enough of your savings each month or each year to support your new standard of living—but not so much that you outlive the funds you’ve put aside for retirement.

Some key questions about your income distribution:

1. First, will you have enough income set aside that you can retire with confidence, and enough that you’ll be able to live the life that makes you happy?

2. Next, because we’re living longer and don’t want to be a financial burden to our families, will your money last as long as you are likely to live?

3. Finally, have you built protection into your income strategy? If you end up retired for 30 years or more, will your money keep pace with inflation? Is the income you’ll be counting on protected from market fluctuations and an uncertain economy? Have you provided for health issues? Do you intend to protect part of your assets in order to “leave something” to your spouse, children, grandchildren, your church or a favorite cause?

Talk through these questions with your spouse and, for reassurance and suggestions, you both might want to talk to a financial professional.
Men and Women
Sometimes we plan differently!

- 60% of couples had different ideas about where the bulk of their retirement money would come from. Savings? Pensions? Social Security?
- More than half have not thought about who would give financial guidance to the surviving spouse if the other spouse died.
- 41% disagreed about whether one or both would work during retirement.
- 39% had different ideas on how much life insurance was sufficient.
- Men generally think they have more money than they do.
- Women generally think they have more debt than they do.
- They both generally think the other earns less than they say they do... and these are couples who have been married an average of 24 years, with retirement about nine years away.


Woman’s work: Is it really never done?

Women now make up about half the workforce—and they’re planning for retirement in record numbers. According to the 2011 Scottrade American Retirement Survey, 40% of women have investments to add to their income in retirement, compared to just 30% of men. Women are becoming proactive, talking to financial professionals and demonstrating their “eye for income-generating investments.” In the survey, 69% of women rate their confidence in their ability to plan successfully for retirement as “good” or “very good,” putting them on a level with male confidence for the first time in three years.

Take-away thought:

If a woman is retiring from a full-time career, one hopes that somehow the household duties have been getting done, whether by paid help or a division of duties between spouses. One would further hope that either of these solutions would continue to be equitable and acceptable to both parties. So have a happy retirement, everyone!

“Retire from work, but not from life.”

- M.K. Soni
You don’t have to do this alone.

Take a pre-retirement course
If you feel you need some extra assistance, it won’t be hard to find a course to help you out. Retirement is an exciting adventure, kind of like visiting a lovely foreign country. Sometimes a tour guide or a group excursion isn’t a bad thing.

Explore smarter financial products
There are plenty of financial products to help with retirement planning. One such is an annuity, which can provide you guaranteed income for life. An annuity can go a long way toward achieving an important retiree goal: not outliving your money.

Go online
There are a number of good, reliable sources for retirement and financial information online, including our Let’s Talk website: genworth.com/lets-talk.

Call in a professional
Many employees have a 401(k) or another type of qualified retirement plan— and if you’ve worked at more than one company, you may have several. But don’t assume that having several of these funds means you’re diversified. If each of these accounts is invested in the same manner, a drop in the stock market or interest rates could affect them all. A financial professional, with a good understanding of your investment goals, can take a look and help you create a diversified portfolio.

People spend more time planning a TWO-WEEK VACATION than planning the LAST 30 YEARS OF THEIR LIVES.

“There’s never enough time to do all the nothing you want.”
— Bill Watterson, Calvin and Hobbes
“The worst days of those who enjoy what they do...are better than the best days of those who don’t.”

— E. James Rohn

Genworth helps millions of people achieve their dreams of financial independence, a comfortable retirement and protection for their loved ones.

For more information visit our Web site:
genworth.com/lets-talk

The names and accounts used for the scenarios addressed in this guide are hypothetical and used to help illustrate many of the issues retirees and pre-retirees will face in retirement.

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