



What's Retirement Happiness?

More money doesn't hurt, but health and relationships with peers matter just as much to retirees. If you're looking for happiness in retirement for your clients, you can forget relationships with adult children, buying a slick car to cruise the cul-de-sac or lounging at a beach cabin in Mazatlán, Mexico.

Instead, there are only three categories that lead to satisfaction—when you have enough money, when you have relationships with your peers and community, and when you have your health. These three things might seem different, but they have one critical thing in common: They all require investment before retirement.

This was the upshot of a panel dedicated to finding happiness in retirement held at Morningstar's September Investment Conference in Chicago. The panel took the unusual tack of not just presenting thought leaders (although they were there), but also giving first chair to an actual retiree who could verify or dispute the points raised.

"I wish I had heard this [discussion] 10 years ago, because I probably wouldn't have as many marks and scars on my shins from bumping into things finding these things out," said Jim Linday of Chicago, who is now a retired individual investor but was once a financial professional and teacher. "The one thing I can add from somebody who has been through that transition is that when you plan for retirement, it's like staging a very beautiful still photograph. And the very first day you're in retirement it becomes a full-motion video. And you have to accept that retirement is not going to be exactly the way you planned it out because of a whole host of reasons. That's not to say you were wrong, or you didn't get it right. It's just like when we were at work: Things change."

Given that financial advisors are being called upon more and more to not just help their clients reach their financial goals but also to help them reach their life goals, it's important to see the two inexorably intertwined, the panelists agreed.

What Makes People Happy?

In order to assess trends in what's important in retired life, Michael Finke, professor of wealth management at the American College of Financial Services and a researcher in the areas of retirement spending, life satisfaction and cognitive aging, looks to a data set known as the "Health and Retirement Study."

“This is a study of 20,000 retirees that began in 1994, and we can follow them up to 2018. When we run analyses ... what we see is that there are three core elements to life satisfaction. I like to call them the Three Pillars of Life Satisfaction in Retirement,” Finke said. “The first pillar is money. Having more money does make you happier, and it seems to have a relatively linear effect up to about \$4 million.” (With \$4 million, most people will experience peak happiness, he said.) The second pillar he mentioned is relationships with peers and community, and the third is health.

“All of these three things are investments. And what I mean by an investment is it’s anything you sacrifice during your working years in order to live better in the future. So our health is an investment when we exercise and eat better,” he continued. He said relationships are an investment too. But no pillar leads to happiness on its own, especially not the simple accumulation of money during one’s working years. It’s an investment in all three—money, health and community—that leads you there.

Cheryl Holland, the third panelist, a CFP and president of Abacus Planning Group, agreed that beyond the financial aspect of retirement, clients’ happiness often depends on their social networks. “That’s their spiritual community,” she said. “Sometimes it’s their neighborhood community, sometimes it’s their families, but for an increasing number of clients I see creative fulfillment as very important. They’ve always wanted to paint or draw, or they’ve always loved music and want to go back to singing in a chorale.

“The main thing I want [clients] to do is have a vision. I think as humans we all value purpose, mastery and autonomy. In retirement you’re probably going to autonomy in spades if your health is good for you. So what’s your new mastery going to be and what’s your purpose going to be? Some people struggle and never get there, and to be honest, they are depressed and they are not having their best retirement.”

What Dampens Happiness?

Since the best laid plans of mice and men often go awry, the panelists spent an equal amount of time dissecting the things that will dampen happiness. One of the biggest problems Holland sees is clients who have adult children not yet fully launched. “If a child begins to come back to the well too often for financial support, helping the client say no is a very important job for the financial advisor,” she said. “Helping those parents launch those children before 30 and helping them say no and helping them learn to create those skill sets is a very powerful influence in being happy in retirement.”

What about buying that sports car? Or moving to the beach cottage you enjoyed so much once a year while you were working?

“If you buy a sports car and it gives you entrée into a new social group, if it becomes a hobby that increases your probability of interactions with other people who are interested in the same kind of thing and that you enjoy talking with, then that’s worth doing,” Finke said. But simply

buying the sports car or the RV or the vacation home is not going to lead to happiness and satisfaction, he continued.

“The problem with the working years is we want to get away from social interactions because we get enough of it during our weekdays, but in retirement we can easily become more socially isolated to the point where we actually crave more of those types of social interactions,” he said, and suddenly that beautiful beach cottage is a detractor. “We’re not very good at imagining what’s going to make us happy in the future. Very often what we do is we look at what makes us happy today, but retirement is different. And what makes us happier is a new lifestyle, a new lifestyle that gives us the opportunities for social interaction, for living a more meaningful life. Going out to eat with friends, or going on vacations, or going to an event, these are things that actually provide true happiness in retirement.”

Lindsay agreed and gave a hat tip to a close friend who encouraged him to find a new way of thinking about retirement in the years before the actual event. “He said, ‘Don’t think about retirement as going off and being on those white clouds and being fed bonbons and 18-year-old scotch. Think of it as taking a new job. A very good job with great benefits. And approach it the same way. Do your research, ask more questions than you make statements and give answers.’”

In Lindsay’s case, having a daily goal has contributed far more to his happiness than having more money in the bank, he said. “At the end of the day, I want to be able to look back and say there’s something I did or accomplished. Now it may be as simple as going out and weeding the garden. But this idea that retirement is six Saturdays and a Sunday, if you do that I think you will find yourself, if not dissatisfied, you will be totally numb to the wonderful retirement experience.”

And though the word “relationships” began sounding like a mantra, not all of them are created equal.

“Friendships and maintaining them outside of the workplace is every bit as important as socking another \$500 into your 401(k),” Finke said. “The one relationship that does not provide greater life satisfaction in retirement is the relationship you have with your children. This is a bit surprising. The frequency of contact with your children is not a source of greater life satisfaction. Even the depth of the relationship is not a source of life satisfaction as it is with your spouse and as it is with your friends. I see a lot of retirees thinking they’re going to spend a lot more time with their children, and that relationship is going to deepen in retirement, when the reality is there’s not a whole lot of data to back that up.”