

<https://youtu.be/KpSBDVMkP60>

Retirement comes in stages

We've been talking to older New Zealanders about their take on life.

One great-grandmother who said: 'When I see people just sitting about wasting their lives I want to give them a shake. Stop and smell the roses, but don't linger too long.'" Then there was the winner of our Three Stages of Retirement competition, who said, 'No money, no choices – that has been part of the mantra of my family life.'

The Three Stages of Retirement is our way of encouraging people to think differently about the future and what they can do to prepare for it.

The word 'retirement' can mean different things to different people, particularly between generations. By breaking it down into an early, middle and late stage, we help to describe the different situations, needs and financial outgoings through the course of a retirement.

These days we are typically living longer, so you could easily spend 20 to 30 years moving through the three stages. It's important to consider your changing needs, as the impact of choices to spend money early may impact your capacity to manage challenges brought on by health changes in later years.

When it comes to planning for retirement, it can be helpful to think about your spending being in a V shape as you progress through retirement.

In the early stage lifestyle drives spending. In the middle stage spending slows as you also slow down a wee bit. In the late stage spending may go up due to increased costs relating to health and wellbeing. The challenge of retirement planning is to preserve enough of your resources to have an income to support you in the late stage of retirement.

The three stages of retirement

- **The 'Discovery' stage: 65 - 74**

This first or early stage of retirement will, for many, be the 'doing' years. The time to have a go at all the things you've said you'd get around to 'some day'.

Travelling, seeing family, spending more time on those hobbies and interests, and just getting on with it. You might expect to be physically and mentally capable of living a fairly active lifestyle. In fact this phase may not be that much different than pre-retirement except that there may be more time to do things like travel and hobbies.

This stage could also still include work. It may be part-time work or consulting in the same field of your pre-retirement career, or it may mean self-employment. Whatever

the case, active retirement is really living the stereotypical retirement dream. For many retirees in this phase, they are busier than they were prior to retirement.

It is common for your mind and body to be sharp and to be excited to embark on new adventures. As a result, you may find this to be the most expensive phase of retirement. Travel, boats, hobby cars or dining out with friends are often the fun things in life we look forward to in retirement. However, you'll have to balance these increased costs to ensure you don't consume your savings in the first 10 years.

Careful advance planning means you're more likely to enjoy everything you want in your early retirement years while also safe guarding your future income.

It can be a good time to review your estate planning and discuss your wishes with family; for more information and help in planning your end of life preferences, visit the government's End of Life Service website: [Te Hokinga ā Wairua End of Life Service](#).

- **The 'Endeavour' stage: 75–84**

The middle years of retirement may be more about consolidation, a time to choose fun things, develop old skills, explore fresh talents and grow new friendships.

The need to travel, or just the hassle now of doing so, is less exciting and your focus is more on the simple things in life. Getting the family to come and visit you, thinking about perhaps downsizing the house and moving to something smaller with less maintenance. Sometimes your body is telling you to slow down a little.

Often this happens between the ages of 75 and 84: life starts falling into patterns and the excitement of retirement transitions to more of a daily routine. Routines such as seeing family at home on Sundays, groceries on Tuesdays, friends on Friday, etc. Part of the reason for these patterns is that energy levels are changing and patterns help minimise effort and thought without compromising on the enjoyment of life.

The older you get, the more important it is to find routines and patterns that give you comfort and security. Maintaining regular activity, though, is important as well, but it might just mean you need to slow it down a little!

During this middle stage of retirement, many are still pursuing their hobbies and traveling but at a slower pace, which means steady costs. Ideally in this stage, health-care costs have been planned because sometimes health issues prompt unexpected spending on health services.

The cost of living typically plateaus in this period, but you may be considering downsizing your home or thinking about the benefits of retirement villages. Releasing the equity tied up in the family home sometimes becomes a necessity as you may find yourself asset rich but cash poor.

Not having spare cash makes it harder to maintain the house and find money for the enjoyable things in life, like pampering the grandkids or going on another trip.

- **The 'Reflection' stage: 85 plus**

As this third stage is a time when health and finances may limit choice, it's a time to accept help graciously, to make the most of all those memories and to keep up with old friends because you hold each other's history.

At this phase of retirement, chances are you've done what you have wanted and are now spending more time at home. There is often a transition to managing your own personal circumstances, which can be dominated by managing your health and well-being.

Time and age play a role in slowing down activities and abilities. Sometimes this is mental, sometimes physical and sometimes it can be financial. There are often more pressures around managing the challenges of your physical health and potentially your cognitive decline.

Cognitive decline is likely in some form, and careful planning of health care is needed, along with support to manage any assets and investments you may have to help meet these costs. It is common to be balancing your needs with considering what wealth you would like to pass on to the future family generations.

For many the cost of living drops dramatically in this phase, assuming you don't need full-time health care. However, if your health dictates that you need to be in an environment with care at hand, then costs will go up during this phase, often rapidly depleting your resources. Commonly this late stage requires some level of support from family, government and community agencies. It can be a time when assets have to be sold to fund healthcare requirements.

Being aware that costs can increase in this late stage of life means holding some of your resources back for use during these years.

- **CFFC's Competition To Get You Thinking**

Do you want the good news or the bad news?

New Zealanders can expect to live longer than ever before, with between 20–30 years of leisure time once we finish working.

But we've not been as good as we could be at planning our finances, so that we'll have saved enough money to enjoy, and be comfortable in, our later years.

It's one of the biggest issues facing New Zealand, but it doesn't have to be a scary proposition. There is plenty that can be done to prepare, by starting saving as early as possible and by developing a plan, whatever age you are now.

That plan should take into account how much you need for the different stages of retirement, which can be broken down, loosely, into three:

65–75: lifestyle drives spending (having enough for entertainment, travel, leisure).

75–85: spending slows as you slow down a bit

85 plus: spending may go up with increased costs relating to health and wellbeing.

The challenge is to make sure you have enough resources to support you through all three stages.

It is important to consider your changing needs, as the decisions you make about spending money in the early stages may impact your capacity to manage challenges brought on by health changes in the later years.

To make it easier to think about, the Retirement Commissioner ran a competition asking for ways to describe the stages that captured the changes to life, needs and lifestyle as we age.

The entries ranged from the poignant to the humorous:

"Well Years; Swell Years; Farewell Years"

"Regain; Maintain; Sustain"

"Freestyle Skiers; Downhill Skiers; Apres Skiers"

"Go-go; Slow-go; No-go"

Our winner was Erica Whyte, from Lower Hutt, with:

Discovery: the time to have a go at all the things you've said you'd get around to 'someday'.

Endeavour: time to choose the fun things, develop old skills, explore fresh talents and grow new friendships.

Reflection: a time when health and finances limit choice, to accept help graciously, to make the most of all those memories; to keep up with old friends because we hold each other's history.

Erica is at the 'discovery' stage, looking forward to an overseas holiday to celebrate her birthday and enjoying more time to play the piano at sing-alongs and in a classical music group.

She said: "It's lovely now to have the time to do it and the time to enjoy the arts generally. Living in Wellington, there's so much to experience."

There were two runners-up, Nicola Deacon from Auckland, and Liz Hunt, from Waikanae.

Liz came up with Can do; Might do; Used to.

She said: "I thought of my own experience and know that 'can do' is how I feel now. I hope that when I am in my 80s I still might be able to do some things."

And Nicola suggested:

Investors (65–74): because they invest in themselves and others.

Divesters (75–84): because they simplify their lives and concentrate on what matters.

Resters (85 plus): because they have earned it.