

CONFIDENT CONVERSATIONS® on Retirement: Practicing Retirement: Maintaining Purpose & Thriving

Francisco Negrón: Welcome to T. Rowe Price's CONFIDENT CONVERSATIONS® on Retirement. My name is Francisco Negrón and I'm grateful to be your host. For the past 35 years, I have been privileged to work with organizations to help their employees prepare for retirement. My colleagues joining me today are financial professionals who also help people in their retirement journey, whether they are planning for retirement or already there.

The thought of transitioning into retirement can be overwhelming. You may wonder what will bring you purpose and joy in this new stage of life. It may help to think of retirement not as an end, but as a new beginning. It is a chance to rediscover ourselves, pursue our passions, design a new lifestyle, and prioritize our well-being. In this episode, we will explore the concept of practicing retirement. We will discuss strategies for setting goals and exploring new interests, insights, and inspiration to make the most of your retirement years and create a fulfilling and joyful post-work life.

Joining me to discuss how to transition into this new phase of life with enthusiasm and purpose are CERTIFIED FINANCIAL PLANNER™ professionals Judith Ward and Sam Smith. Welcome to the show, Judy and Sam.

Judy Ward: It's great to be here.

Sam Smith: Thanks for having me.

Francisco Negrón: So, Judy, what is the concept of practicing retirement and why is it beneficial?

Judy Ward: Well, the years in your sixties are a period of time when you can begin exploring and trying on some of your retirement dreams for size while still having the support of your salary and benefits. You know, we find that some people anchor to the age of 62 as a retirement age because that's the first year they may be eligible for Social Security benefits. At the same time, we know that retirement could last decades. So, practicing retirement can be a transition period where you can stay in the workforce but start exploring your options. Rather than work, *then* play, we suggest practicing retirement work *and* play. Staying in the workforce a few more years to postpone tapping retirement savings while test driving your retirement lifestyle before fully retiring.

Francisco Negrón: I like that. Work *and* play. Sam, do you have anything to add?

Sam Smith: Yes. We find that a lot of people focus on their finances when they're thinking about retirement and planning for retirement, but they don't really think about the emotional aspects which can make that transition into retirement pretty difficult. It's pretty jarring when you go

from 40 hours of work into retirement, which is 40 hours of extra play, hopefully. But then you don't really know what to do with yourself. Or you get into a situation in retirement where it's not quite what you're looking for. So, practicing that retirement before you get in can really ease that transition.

Francisco Negrón: Yeah, very true. I can think of examples of former colleagues grappling with both of those things. So, what are key aspects or activities that you could focus on while you're practicing retirement?

Sam Smith: Yeah, pre-retirees who are actually taking time to test the waters in their lifestyle can lessen or even avoid that really quick disruption that happens with that sudden change of moving into retirement. I always like to think about retirement as getting into a pool. There's several ways you can get into that pool. You can just dive right in. Usually if the water's cold, that's...(laughs).

Francisco Negrón: Step into it.

Sam Smith: ...quite sudden and quite shocking. But if you step into it, it can help you better understand your financial needs, your lifestyle preferences, and potentially even your retirement budget. So, it allows you to understand what your spending may look like. You can explore different activities or hobbies, especially if you don't have anything really set. Like I said, there's 40 extra hours of the week that you're having to plan for, and all of that can help determine if you need to then make financial adjustments or course corrections based on that experience.

So, if you didn't like that, you may need to then jump into other hobbies, maybe a different lifestyle, a different location where you're going to live. And then having that test budget too, can really help you know if you have enough money to make that dream a reality.

Francisco Negrón: Makes sense. Makes sense. So, Judy, what are the financial benefits to practicing retirement?

Judy Ward: I know this doesn't sound fun, and it may seem obvious, but the longer one can delay spending from their retirement assets and delay taking Social Security benefits, they may have more income in retirement when they do fully retire.

So, for example, if we just consider Social Security benefits, you know, Social Security is a guaranteed source of income that includes a cost-of-living adjustment each year. It can be a significant and important source of income for many couples.

You know, additionally, health care coverage may be a consideration. Generally, individuals are Medicare eligible at age 65. So, prior to that age, you know, an individual may have to find coverage on their own and the premium will depend on that type of coverage.

Francisco Negrón: Okay. So, Sam, what are the psychological or emotional considerations to keep in mind when practicing retirement?

Sam Smith: The financial and emotional sides of retirement are equally important. Once you're fully retired, you may feel like you're losing a lot of that social connection. When you had those colleagues and people in your life that you spent a big portion of your time with, and now you have a void in that daily routine. So, you and your spouse or partner maybe are spending a little bit more time together.

If you're single, you might feel even more untethered or emotional by that shift in lifestyle because those people aren't around you. For those who do have a spouse or partner, consider the importance of planning together. Make sure you're on the same page with your retirement plans and this transition period may help you understand what activities you want to do together and what activities you may want to do separately. So, it gives you that time to really test drive your retirement.

Francisco Negrón: Mmhmm, you say that, it reminds me of conversations my wife and I have had. I travel a lot, as you know. So, in retirement, I've said I don't want to have to go through an airport. And she's like, "what do you mean? That's when I want to travel." So, we'll have to work that out before the time comes. So, I'm sold.

So, give me some examples of test-driving retirement.

Sam Smith: So, this is what we mean by work *and* play. So, some examples might be spending an extended amount of time in an area that you're thinking about moving to in retirement. Maybe visiting. Me personally, my goal in retirement is to be a snowbird. I live in Colorado now, so spending summers in Colorado, flying south for our winters. Sounds like a good idea, but what does that look like? Spend some extra time there. Living in a place is a lot different than just visiting for two, three days at a time.

Francisco Negrón: So true.

Sam Smith: So, if there's an activity that you want to do or hobby, start joining clubs, start looking into organizations you may want to volunteer with. If there's something that interests you, look for ways that you can use that outlet and get involved now, allowing you to already have that network supporting you when you take that jump. So, taking classes at a local community college, joining clubs, local organizations, volunteering can all help until you're fully retired and spending more time in those areas.

Judy Ward: Yeah, I know a person who is thinking of a post-retirement career as a real estate agent, and so she actually shadowed an agent for a time to see if it was something that she might like. She then went on to study and get her license before she fully retired.

Another couple I know, they rented an RV to travel to the national parks to see if it was a lifestyle they might enjoy before actually making the investment into an RV...

Sam Smith: Or deciding they want to drive an RV that long. Anyone that's spent any time in an RV knows that those can be pretty brutal.

Judy Ward: Right. Yes.

Sam Smith: ...to drive around the country. So at least making sure you're okay taking it out on the road.

Judy Ward: Yeah. Making sure you stop long enough to, like, get some activity and blood flowing. Right.

[ALL LAUGH]

Judy Ward: And granted, I know these ideas may require, you know, a flexible work schedule or even part time work. Many employers may be now amenable to these kinds of arrangements, especially, you know, we've seen some issues with the labor market, you know, trying to keep maybe more tenured employees, could be a way that an employer could help themselves as well as the employee.

It may also mean needing a little extra spending money. So, one idea is, if it helps to stay in the workforce in some manner, one idea may be to reduce the amount you're contributing to your retirement accounts and use that money to play. I know as a financial planner, we're always telling people, save, save, save. But delaying full retirement is so powerful that it might be okay to pull back on contributions for a few years in order to do so.

Now, if you get a company match, you may still want to contribute enough for that match, but this extra money could also be used, you know, to fund some of these activities that you're thinking about when you fully retire or to pay down debt or make big ticket purchases prior to full retirement.

Francisco Negrón: Yeah, no, that suggestion that's one that requires but you got to have a plan and know what you're doing and for how long, so it doesn't then become something you that didn't intend it to.

So, along those lines, are there any tools or resources available to help individuals plan and execute their practice retirement effectively?

Sam Smith: Yes. When you think about the financial piece, there's a lot of various tools and resources available to help you plan and execute your retirement effectively. Like retirement calculators, budgeting calculators, financial planning apps, online retirement planning resources.

Look at your employer's retirement plan resources. And potentially retirement professionals as well. That really helps with the financial aspects.

But from the emotional side, there's a lot of local nonprofits that you can look into. The Department of Aging has a lot of state specific resources. Look into senior community centers or wellness centers like an YMCA in your area. We've found in studies that those in retirement that have that social network, have friends, have family, have people that they're spending time with end up living healthier and longer lifestyles. When you're feeling isolated, you're at home and you spend most of your time on the couch just watching TV, not interacting. So, we'll see a lot of decline in mental health, so Alzheimer's, dementia ends up going up. But when you have that emotional support, you have that community around you, we do find that retirees are living happier, healthier lifestyles for longer periods of time.

Francisco Negrón: Yeah, it's a community. I mean, you said it. You know, work you have, all the demands, all the pressure, but you do have a community, for better or for worse. So important that whatever you transition to that you have a community in that new phase.

So, what are other insights that individuals gain from practicing retirement that they may not have anticipated? And how may those insights refine their retirement plans and their retirement goals?

Judy Ward: Well, some insights they might gain is that they might think they are on a plan A, but end up on a plan B, C or D. You might have set a course, then something disrupts it, or you've learned along your journey. Practicing retirement may provide clarity, and at the same time you have flexibility to shift priorities.

Another thing that we see is that when we survey retirees, we find that there's like a one-to-two-year transition period for someone that has a full stop, where they've stopped working and now they're retired. So, I think this idea of practicing retirement, it could maybe make that a little easier and provide, again, that clarity with flexibility before you fully retire.

Sam Smith: Speaking of plans changing. My mother-in-law had always had it in her mind that she would retire and then take care of her grandkids. But she didn't have any when she retired. So, she had to switch to Plan B, which ended up being volunteering at her local hospital. She volunteers in the labor and delivery ward, so she got her baby fix there.

And now that she does have her own grandchildren to watch, she still spends a couple days a week at the hospital as well. So, it does give her, I think, some additional community instead of just spending time with an infant all day who can't speak back. She has a little bit more of that adult conversation during the week as well.

Francisco Negrón: You need both. You need both. Interesting. So, do you have any personal stories that you can share about you or perhaps someone you know about practicing retirement? Like, what are the steps they took to create that ideal retirement lifestyle?

Judy Ward: Well, I can speak about my personal journey. I had a significant life event which caused my retirement plans to change. I decided to move from full-time to part-time work. And so now I'm learning pickleball, which I think is a requirement for retirement.

[ALL LAUGH]

Francisco Negrón: So I hear.

Judy Ward: And I've joined a book club. Working part time gives me the flexibility to ease into how I might fill my time when I do fully retire. And kind of gives me the time to understand what activities I want to be involved in and finding those communities. I'm fortunate that I have the ability to work part-time and I don't need to have a firm date on when I'm going to fully retire yet. This gives me the time to figure out what my next chapter is going to look like and to start figuring out my retirement budget, as well, on the financial side.

Francisco Negrón: Yes, it's like you're phasing into retirement. So I have to ask, I know you're competitive. Are you good at pickleball? Are you, uh...

Judy Ward: I'm still learning.

Francisco Negrón: You're still learning.

Judy Ward: But I really like it.

Francisco Negrón: You like it? Excellent.

Sam Smith: That's the joys of practicing. You can try it if you love it or hate it.

Francisco Negrón: Absolutely. Well, thank you for sharing that story with us. This has been a great conversation.

So, Sam, can you leave our listeners with a key takeaway, a parting thought or next step that they can do when it comes to practicing retirement?

Sam Smith: Yes. If you're having a difficult time or don't know where to start, listening to our season one podcast episode titled "The Five W's of Retirement" may help. So, whenever I help people plan for retirement on the emotional side, not just the finance side, I like for them to think of the five W's, which are: who, what, where, when, and why.

So, who is going to be who's in your social network in retirement and how does that differ from today? So, who are you going to replace those coworkers that you're spending 40 hours with? Is it going to be kids, grandkids, friends, family? Make sure that they're on the same page and having those conversations now.

What? So, this one's probably what we spend most time with. It's what activities do you see yourself participating in that will help you live that healthy and vibrant life in retirement?

Where? Where do you want to live? Where do you want to spend your time? So, starting make those lists, practicing visiting those locations for a little bit longer than just a vacation.

When? Again, are you going to jump right in? Are you going to take those steps into that pool of retirement?

And then why? That's maybe one of the least looked at but most important, that gives you that drive, that really meaning behind your retirement, and it can really help make that transition a little bit more smooth when you have that in your mind.

Francisco Negrón: Yeah, great checklist it's almost, that last one, you need to ask it at the beginning and at the end. It almost needs to bookend.

So, Judy, any takeaways that you would like to add?

Judy Ward: I would just add that this can be a fun time, an exciting time, overwhelming. And we find that a lot of people, this is when they seek out a financial professional to help them through this journey. And while the financial professional can help guide through mostly the finances, they can also kind of be that sounding board. And as you are practicing retirement and going through your plans A, B, C, or D, they can be along that journey with you.

Francisco Negrón: Excellent points. Thank you both for all this information. Again, wonderful conversation.

Judy Ward: Thanks, Francisco.

Sam Smith: Thanks.

Francisco Negrón: As we conclude today's episode, remember that practicing retirement is about embracing the opportunity to explore how you are going to live life to the fullest, explore new possibilities, and find true fulfillment. By redefining retirement, designing your ideal lifestyle and nurturing your well-being and connections, you can make the most of this incredible phase of life. Remember, retirement is not an end, it's the exciting beginning of a new chapter in your life.

Again, I'm Francisco Negrón. Thank you for listening. Please tune in for our next episode, which focuses on strategies and considerations that can help you retire years ahead of the traditional timeline. If you like this podcast, please rate us and subscribe wherever you get your podcasts and remember that it's not how you start, but how you finish. So be confident! Your tomorrow begins today.



T. Rowe Price
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