

Individual Series – Retirement Risk

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Psychological Aspects of Retirement - Connectors

In Vol. 1 No. 1 on risk management, we divided the retirement risks into two major categories of Systematic Risk and Unsystematic Risk and put forth the First Axiom:

The less assets we have, the less risk we can take.

In Vol. 1 No. 2, we more finely defined the risks of retirement and put forth the Second Axiom:

Identify the risks you have in retirement and plan accordingly.

In Vol. 1 No. 3, we discussed the need to determine the frequency and severity of the potential loss when determining our risk management technique to use and put forth the Third Axiom:

Identify your risk, understand the severity and frequency of the risk and select the best risk management technique to immunize or mitigate the risk.

In my years of retirement planning, I found one common theme when someone was facing retirement: **FEAR.**

What did they fear? **UNCERTAINTY.**

Let's start with relationships. Many of us identify directly with what we do or who we help; it's who we are. At retirement, the separation from our daily routine leaves us empty and void of the expected interaction. The self-esteem, the pride of our work and just the disruption of the daily routine of driving to our place of employment with all the regular connectors, such as our favorite coffee place, is disrupted or vacated.

What do we replace it with? If the majority of the pre-retirement day is spent separated from our spouse, how do we cope with a 24/7 relationship that we may never have had at any time of our lives, except for our infancy years.

If we are living alone and most of our social interaction is with our co-workers, how do we replace the loss of or diminishing relationships? In an excellent book on the psychology of retirement, "What Color Is Your Parachute? For Retirement" by John E. Nelson and Richard N. Bolles, they discuss "Automatic Relationship Generators" (ARG's).

To paraphrase the concept, in our education years, we are placed in a cohort of our peers all the same age and similar maturity level. We had "connectors" or ARG's; same class, same school and same neighborhood. When we grew into the world of work, we had another ARG. If we had required

continuing education or business or professional associations, we had another ARG. If we had children, another ARG.

In retirement, we are separating from all our old ARG's and need to develop our own relationship generators, since there are no "automatic relationship generators" unless we create them. For some, this void is filled with television and internet, creating relationships that may not be real. So, unless we put ourselves at "relationship risk" we don't have the automatic connectors. At one extreme, an ARG may be a golf course community or country club and another a nursing care center.

It may be more difficult in retirement to create our relationship generators due to the potential differentials in health, wealth and interests. These differences may manifest separation rather than acceptance and bonding.

Fourth Axiom: In retirement, we need to develop our own relationship generators.

Edu4Retirement, Inc. is specializing in providing retirement education and advice to our clients along with appropriate investment products to assist in mitigating retirement risk. Please think of us when it comes to retirement planning. We appreciate your referrals.

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