

# Reinventing Retirement in an Age of Longevity

by **Simon Chan** | *Adapt With Intent* and **Michelle Oram, CEBS** | *Manulife*

A 2023 survey of global CEOs revealed that 40% fear that their organizations will not be economically viable in ten years. Even more alarming about the results of PwC's 26th Annual *Global CEO Survey*<sup>1</sup> is the reason for this fear. More than half (52%) indicate that the global labor shortage is the biggest challenge their organizations face.

The rapid pace of workplace change in recent years has introduced unprecedented challenges for employers around the world. Changing workforce demographics, largely driven by an aging workforce, have resulted in never-before-seen talent shortages in all economic sectors. The loss of knowledge and experience as older workers retire in large numbers could have devastating impacts for employers that hold on to traditional views of retirement and talent management.

Despite the dire predictions in the PwC survey, increased longevity presents an opportunity for employers. Employers that act now to transform their approach to retirement and talent management can build resilient organizations that will be well-positioned to navigate the complex and ambiguous future of work.

Capitalizing on changing workplace demographics can create a mutually beneficial situation for employers and employees in a world of increased longevity. Organizations that

find the right approach could be the employers of choice in the workplace of the future.

## Flipping the Script on Retirement

As those born toward the end of the Baby Boom generation approach the age when many expect them to retire, it's no surprise to see Boomers redefining life in their later years. Many are rejecting age stereotypes perpetuated by media and

### AT A GLANCE

- Increased longevity means that a 65-year-old Canadian or American can expect to live at least another 20 years. This likely creates a need to rethink traditional views about the proper goals of retirement.
- A downfall of traditional retirement planning is that people underestimate their longevity and the amount they need to save. Retirees need a comprehensive plan that also considers health, lifestyle and social aspects.
- Employers that help employees navigate and adjust to retirement in an age of increased longevity will have a leg up in the war for talent. Transforming to an age-friendly workplace requires policy changes in several areas, including offering creative workforce models and flexible arrangements.

advertisers that portray older people as a burden on society. Instead, they are embracing the freedom of leaving their primary career behind and reimagining what's next.

Increased longevity means that those leaving the workforce today face many more years in retirement than previous generations. A 65-year-old Canadian<sup>2</sup> or American<sup>3</sup> can expect to live at least another 20 years.

A look at the history of retirement reveals that it didn't exist prior to the early 20th century, when life expectancy at birth was less than 50 years. Government pension programs were established at a time when few people lived to 65, and those who did collected their pensions for only a few years. Despite increases in longevity, retirement at 65 remains the cornerstone of retirement planning conversations.

Today's workers have been conditioned to believe that a three-stage life model is the norm. The three-stage model involves a 20-to-25-year period of learning, followed by a 35-to-40-year period of work, and then a period of retirement lasting 20 or more years.

In a world with increased longevity, this three-stage model of learning, work, retirement may no longer be practical. A new model has emerged involving a post-primary career period of work as individuals transition toward full retirement. This new learning, work, post-primary career, retirement model can set workers up to make the most of an exciting stage of life while helping employers manage their talent pool.

In the future, many experts foresee careers that will last 60 years or more,

**TABLE**

**Flipping the Script on Retirement**

Traditional View	Why It No Longer Works	New View
Full-stop retirement age 65	<ul style="list-style-type: none"> <li>• Longer retirement period to fund</li> <li>• Need to stay mentally and physically active</li> </ul>	Gradual transition from work
Money-only planning	<ul style="list-style-type: none"> <li>• Money doesn't replace purpose and connection from work</li> </ul>	Comprehensive, holistic planning
Time to rest and relax	<ul style="list-style-type: none"> <li>• 25 to 30 years is a long time to rest and relax</li> <li>• Boredom can lead to physical and mental health issues</li> </ul>	A new chapter of life
Homogeneous retirement period	<ul style="list-style-type: none"> <li>• Reality of health and lifestyle changes in a 25-year retirement period</li> </ul>	Multiple stages
Best years are in the past	<ul style="list-style-type: none"> <li>• Positive mindset toward aging can increase longevity</li> </ul>	Period of opportunity and exploration

alternating between periods of work, learning and leisure.<sup>4</sup>

Transitioning to this new model means that employees and their employers may need to rethink traditional views of retirement and the approach to the second half of life. Following is a discussion of the pitfalls of these traditional views.

**Full-Stop Retirement at 65**

A downfall of traditional retirement planning is that people underestimate their longevity and the amount they need to save. The view of a full-stop retirement at age 65 was put in place at a time when life expectancy was much lower. Over the last century, life expectancy in the United

States and other western countries has increased by 30 or more years. At the same time, defined benefit retirement plans have largely been replaced by defined contribution plans. It's becoming clear that saving enough to fund 30 or more years of retirement from 40 years of work may not be feasible for most workers.

In his book *Victory Lap Retirement*, Mike Drak introduced the notion of a period of work after an individual leaves their primary career:

*After leaving your primary career and entering the Victory Lap, you need to feel that you still matter, that you're not invisible to the world but are still contributing to society in some form.<sup>5</sup>*

This “victory lap” provides additional income but, more importantly, gives a sense of purpose that can help an individual transition to full retirement.

Working in retirement has typically been viewed as a negative—a reflection of an individual’s failure to save and plan appropriately. However, more preretirees than ever are embracing the idea of some form of paid work in their retirement years. A survey by Edward Jones and Age Wave reported that 74% of preretirees would consider working in retirement and 68% are interested in phasing gradually into retirement. Staying mentally active is the No. 1 benefit of working in retirement cited in the survey, followed by offering supplementary income.<sup>6</sup>

### ***Having Enough Money Will Deliver a Successful Retirement***

For many years, the retirement and financial services industry has focused solely on the money side of retirement. The key message is that having enough money will lead to a happy retirement.

Money is a critical piece of having the financial independence to take advantage of late-career flexibility, but money alone is no guarantee of a happy retirement. After a lifetime spent building a career and raising a family, many retirees struggle to replace the purpose and social connections they got from their work.

To retire successfully, today’s retirees need a comprehensive retirement plan that considers health, lifestyle and social aspects in addition to finances. Contrary to popular belief, retirement will not magically solve an individual’s problems. Without adequate planning, retirement may, in fact, lead to new problems. Boredom, isolation and lack of purpose are some of the biggest threats to physical and mental health in retirement.<sup>7</sup>

### ***Retirement Is a Time to Rest and Relax***

McKinsey’s 2023 *Global Health Aging Survey* shows that individuals age 55 and older who engage in volunteering, education and community activities reported higher levels of good or very good health than those who didn’t. The survey also found that purpose, lifelong learning, volunteering and meaningful connections were most important to an individual’s perceived health.<sup>8</sup> With today’s workers living longer, healthier lives, the idea of a period of rest and relaxation lasting for 25 to 30 years is no longer appealing.

Unlike their parents’ generation, more and more individuals are looking at this time of life as a new beginning—an opportunity to reinvent themselves and use the skills they gained in their primary career in a different way. The 2022 Edward Jones and Age Wave report found that 54% of retirees in Canada and the U.S. look at retirement as a new chapter in life, rather than a time to rest and relax.<sup>9</sup>

***The Entire Retirement Period Is Homogeneous***

Advertising portrays retirement as an endless period of leisure, travel and living the good life. This story ignores the health and lifestyle changes that take place during retirement.

### ***The Entire Retirement Period Is Homogeneous***

To help retirees understand how spending patterns will change during retirement, many financial planners refer to the go-go, slow-go and no-go years. Similarly, the 2022 Edward Jones and Age Wave report proposes a four-stage model of retirement that starts with anticipation in the ten-year period leading up to retirement, followed by liberation/disorientation in the period immediately following retirement, then a period of reinvention and, finally, reflection/resolution.<sup>8</sup>

Both models acknowledge that, for most, retirement includes a period of adjustment, followed by a time of discovery and new experiences, and then by a slower period of reflection.

A holistic approach to retirement planning addresses the emotional and practical aspects of retirement, along with financial planning to match income and lifestyle needs.

***Adopting a Positive Mindset Toward Aging***

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All these changes point to a need to flip the script and transform perceptions of retirement and aging. Shifting mindsets can turn this into a period of opportunity rather than a time when the best years are in the past.

The first mindset shift relates to attitudes on aging. Instead of seeing the retirement years as an inevitable period of decline and poor health, embracing a positive outlook on aging impacts how long and how well an individual lives. In her book *Breaking the Age Code*, Becca Levy reports that a

positive view of aging can increase life expectancy by seven and a half years.<sup>10</sup>

The second mindset shift requires individuals to redefine how they measure success. Job title and salary are the key measures of success during a person's primary career. In the post-primary-career and retirement period, success can be defined based on the impact and the legacy they will leave.

With the right tools and mindset, this time of life can be a period of endless opportunities for creativity and exploration. But most employees are not able to do this alone. They will need help.

Success will likely depend on employers also adopting a different mindset.

### Shifting Employer Mindsets to Find New Hidden Talent Pools

Employers are in a unique position to help employees navigate and adjust to retirement in an age of increased longevity. Those that do it successfully will have a clear advantage in the war for talent.

Embracing the opportunities presented by increased longevity can help employers to address current workforce challenges. Transforming to an age-friendly workplace will require employers to consider policy changes that:

- Offer creative workforce models and flexible arrangements
- Embrace the opportunities of a multigenerational workplace
- Offer holistic retirement planning services
- Include age in diversity, equity and inclusion (DEI) policies
- Rethink benefit plans.

### Offer Creative Workforce Models and Flexible Arrangements

Older workers represent an untapped pipeline of talent to help employers address their labor shortages, but many older workers are seeking flexible alternatives to traditional full-time employment.<sup>11</sup>

To engage and retain the wisdom and experience of these workers, employers should review their policies related to workplace flexibility. Providing opportunities for part-time, freelance, hybrid or remote work as well as workcations (combining remote work and travel) can help retain the wisdom of more experienced workers.

Phased retirement programs, a solution that has been around for decades, allow employees to gradually reduce their hours of work in the period leading up to retirement (either before or after age 65). Some workers may be interested in phased retirement prior to turning 65, and others may wish to start the phased approach later in years. The 2023 Edward Jones and Age Wave

report reveals that 68% of workers approaching retirement age would prefer a gradual transition.

### Embrace the Opportunities of a Multigenerational Workplace

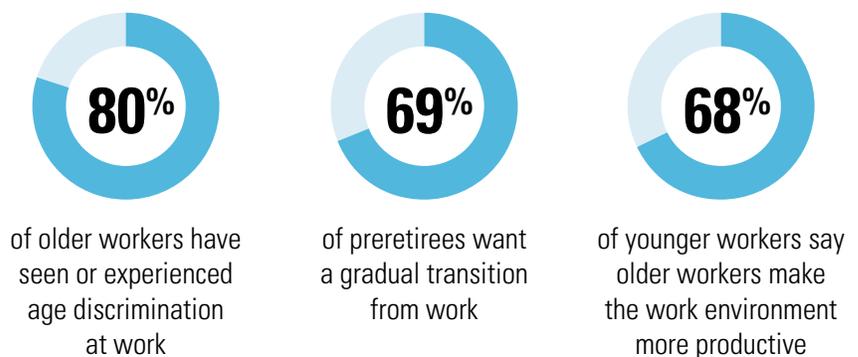
Despite evidence to the contrary, many employers fail to see the full value of their older, more experienced workers. AARP reports that 77% of younger workers say having older colleagues creates an opportunity to learn new skills, and 69% say older workers make the work environment more productive.<sup>12</sup>

In his book *From Strength to Strength: Finding Success, Happiness, and Deep Purpose in the Second Half of Life*, Arthur C. Brooks discusses how the crystallized intelligence that older workers bring to the workplace differs from the fluid intelligence of younger workers. The concept of crystallized and fluid intelligence was first identified by psychologist Raymond B. Cattell in 1963. Brooks explained Cattell's view:<sup>13</sup>

*Cattell himself described the two intelligences in this way: '[Fluid*

## FIGURE

### The Case for Change



*intelligence] is conceptualized as the decontextualized ability to solve abstract problems, while crystallized intelligence represents a person's knowledge gained during life by acculturation and learning.'* Translation: When you are young, you have raw smarts; when you are old, you have wisdom. When you are young, you can generate lots of facts; when you are old, you know what they mean and how to use them.

Mentorship and training programs that facilitate knowledge transfer and give employees of different generations opportunities to work together are an important first step toward an age-inclusive workplace that capitalizes on the crystallized intelligence of older workers. The best programs acknowledge the bi-directional value of mentorship. Each generation brings unique strengths, and employees of all generations can learn from each other.

### ***Offer Proactive and Holistic Retirement Planning***

Traditional retirement planning has focused only on the financial aspects of retirement. A broader range of holistic planning solutions will better prepare employees for the emotional and practical aspects of retirement, along with financial planning to match income and lifestyle needs. Some employers are recognizing this as a necessity. Notably, the University of Denver recently launched a noncredit course focusing on the emotional impact of retirement.<sup>14</sup>

Offering a full suite of planning services, including lifestyle planning, financial planning and career transition services, will demonstrate a culture that values and respects older workers.

### ***Include Age Diversity in DEI Initiatives***

In a time when many employers are putting increased emphasis on DEI, only 8% of employers include age diversity in their DEI initiatives.<sup>15</sup> Further, a 2022 AARP survey revealed that nearly 80% of older employees had seen or experienced age discrimination in the workplace.<sup>16</sup>

Creating a workplace that is welcoming to older workers means employers may need to rethink their current biases. These workers bring much-needed wisdom and experience to the workplace, and many common stereotypes and biases simply are not true. In *Breaking the Age Code*, Becca Levy

presents evidence to debunk negative age stereotypes. Older workers take fewer days off for sickness, have a strong work ethic, and are creative and innovative. And, despite their reputation for being technologically challenged, older workers have demonstrated the ability to adapt to, learn and invent new technology.<sup>9</sup>

### ***Rethink Benefit and Retirement Plans***

Benefits could be a key factor in attracting older workers to an organization and retaining existing experienced workers.

Most benefits and retirement plans were designed for a full-time workforce where people retire at age 65. Many plans still end coverage at age 65 despite successful court challenges upholding workers' rights to benefits beyond that age.<sup>17</sup>

The new retirement is an opportunity for employers to rethink their benefits programs, considering benefits for part-time employees and workers over 65, and expanding taxable spending accounts to cover additional planning and transition services.

### ***The Future of Work and Retirement Is Here***

Companies that adopt an age-friendly culture will be well-positioned to navigate the future of work and retirement. The future is here now.

For decades, experts have predicted labor shortages due to aging populations in western countries. Recent social and technological developments have simply accelerated the pace of change. The pandemic introduced new ways of working and enabled the ability for employees to work in a more fractional and global way.

The pandemic also led many workers to pause and rethink their future. Many workers over 55 chose to retire, reversing a long-term trend toward increased labor force participation among older workers. However, recent numbers show that this trend may be reversing. Projections released by the U.S. Bureau of Labor Statistics predict labor force participation of 39.6% in the 65 to 69 age group by 2030 and a participation rate of 23.8% in the 70 to 74 age group.<sup>18</sup> The United Kingdom government is targeting pandemic retirees and taking steps to lure those who retired early back to the workplace to address labor shortages.<sup>19</sup>

The future of work and retirement is already here and is gaining traction. Retirement is just one of many life stages and transitions that will be impacted by increased longevity. Many countries and top research institutions are thinking toward the future and how best to adapt to the new realities and opportunities offered by a 100-year life. The Stanford Center on Longevity's report *The New Map of Life* proposes changes to address the impact of increased longevity on individuals, workplaces, education systems and communities.

### Reinventing Retirement— A Mutually Beneficial Proposition

The current labor shortage and workplace demographic changes are not temporary. This is the new reality that employers and employees are facing. All the evidence clearly points to capturing the value of older workers as well as rethinking mindsets around aging and retirement as potential solutions to attract and retain talent.

Embracing the new view of retirement and creating age-friendly workplaces has the potential to create a win-win for employers and employees. Adopting these changes is expected to lead to:

- Increased financial and emotional well-being for workers
- Unlocked workforce potential and coordinated knowledge retention
- Enhanced employee experience and brand
- Greater innovation and productivity through diversity
- More resilient workplaces and communities.

## AUTHORS



**Simon Chan, CFP, CPRC**, is the founder and CEO of Adapt With Intent Inc., a boutique consulting firm in Kitchener, Ontario that works with leaders, educators and organizations to reframe their thinking and redesign new ways of working across life stages. He is a talent and innovation executive with more than 25 years of experience and has spent more than 15 years in the group retirement and benefits industry. Chan has a diverse background in financial services, technology, academia and nonprofit sectors. Chan is also a well-respected futurist who speaks regularly at conferences on the future of work and learning and corporate innovation. He holds a master of business administration degree from Wilfrid Laurier University, and he now serves as vice chair of the university board of governors. He also holds the CFP and CPRC (Certified Professional Retirement Coach) designations.



**Michelle Oram, CEBS**, is director of financial wellness at Manulife in Waterloo, Ontario. During her 30-year career in the retirement industry, she has held roles in operations, training, compliance, product and marketing. In her current role, Oram oversees strategy and solutions to guide group retirement members to successful retirement and financial wellness outcomes. Oram earned the CEBS designation in 2003 and is the 2023 President of the International Society of Certified Employee Benefit Specialists Governing Council. She is a graduate of Wilfrid Laurier University, holds a certificate in adult education from Conestoga College, and is working on the plain language certificate at Simon Fraser University.

Organizational success and viability in the future will depend on all parties—employers, employees, financial advisors—adjusting their mindsets to embrace the opportunities presented by changing demographics and trends.

The future of work and retirement is now. Are your organization and its employees ready? 

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Reprinted from the Fourth Quarter 2023 issue of *BENEFITS QUARTERLY*, published by the International Society of Certified Employee Benefit Specialists. With the exception of official Society announcements, the opinions given in articles are those of the authors. The International Society of Certified Employee Benefit Specialists disclaims responsibility for views expressed and statements made in articles published. No further transmission or electronic distribution of this material is permitted without permission. Subscription information can be found at [iscebs.org](http://iscebs.org).

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