Putting off Tomorrow to Do What You Want Today: Planning for Retirement

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At the time the Social Security Act was passed in 1935, benefits to older workers were to begin at age 65, and life expectancy was 61.7 years (National Center for Health Statistics, 2006). Today, the average age of retirement is 62, and the average life expectancy is over 77 years. “Retirement” defines an increasing proportion of human life and activity, but the quality of that life can vary dramatically. Some seniors live in squalor (McDermott, Linahan, & Squires, 2009), while others look forward to spending their golden years housed (literally) on a cruise ship (Lindquist & Golub, 2004). Regardless of how each of us chooses to define a successful retirement, the ability to achieve it is largely determined by the extent to which we have planned for financial demands as well as physical and psychosocial changes that occur in retirement, in other words, by the extent to which we have engaged in preretirement planning (J. E. Kim & Moen, 2001). Unfortunately, whether it is because they are too
busy with the present or are unable or unwilling to plan for the future (Schlossberg, 2009), many people do not plan for retirement.

A temporal view of retirement recognizes that retirement is a process that unfolds over a period of time beginning well before and continuing long after the event that is “retirement.” The preretirement phase, which includes preretirement planning, is the first stage in the retirement process. It is followed by a retirement decision/event and a postretirement adjustment phase. A temporal view further recognizes the serial dependency of these three phases in that how the later phases unfold is highly dependent on earlier phases. Indeed, research has shown that preretirement planning is crucial to determining the success of retirement decision making and retirement adjustment (e.g., Noone, Stephens, & Alpass, 2009; Sharpley & Layton, 1998; Wong & Earl, 2009).

As we discuss below, a quick review of the popular press and academic literature on the topic of retirement planning reveals an appalling lack of preparedness for retirement within the United States, just as the burden of individual planning is increasing. Further, it is clear that retirement planning needs to start earlier and remain a constant consideration throughout one's work life. Thus there is a great need to improve our understanding of preretirement planning and the preparation for retirement that occurs during the preretirement phase. Toward this end, we begin with a discussion of the current status of preretirement planning. We then develop a model of preretirement planning that we use to organize our review.

Preretirement Planning Today
An average worker today can look forward to approximately 15 years of retirement. An increasing number may be retired for as many as 20 years, or nearly one quarter of their lives. Despite this fact, both the press (Goldman, 2008) and the academic literature (Lusardi & Mitchell, 2007) suggest that many of those approaching retirement are not adequately prepared for it. This is especially true in the area of financial preparation. A recent report by the Congressional Research Service (Purcell, 2009) noted that the median value of retirement accounts held by those between the ages of 55 and 64 was a mere $100,000. To put this in perspective, the report points out that given current life expectancies and interest rates, this amount of savings would provide an individual with an income of less than $8,700 per year (Purcell, 2009). The Employee Benefits Research Institute (2009) found that only 13% of those surveyed indicated that they were “very confident” about having enough money to live comfortably in retirement. This lack of financial preparation is all the more disturbing given that it is the one component of retirement planning that receives extensive attention in the media.

Although they receive much less attention, other forms of retirement preparation are also important. Here again, the data suggest that many are unprepared. For example, Ekerdt, Hackney, Kosloski, and DeViney (2001) found that 12% of workers aged 51 to 61 reported that they did not know when they would retire or had not thought about it. Approximately 43% of these older workers said they had “no plans” regarding the form of retirement they would take. In another study, Turner, Bailey, and Scott (1994) found that fewer than 25% of their sample of 40–65-year-olds had engaged in any planning with regard to the location of their retirement or their continued employment during retirement. This is unfortunate because adequate retirement planning is critically important to economic and personal well-being during retirement (Taylor & Doverspike, 2003). Establishing a secure stream of retirement income dictates when one can retire and one's standard of living (e.g., living arrangements, leisure options) once retired. Yet by one estimate, more than half of U.S. households are at risk of a reduced standard of living (Munnell, Webb, & Golub-Sass, 2009). Not surprisingly, there is a positive relationship between financial preparation and satisfaction among retirees (H. W. Elder & Rudolph, 1999).
Less obvious, however, is the negative relationship between retirement preparation and anxiety about retirement for those still working (e.g., MacEwen, Barling, Kelloway, & Higginbottom, 1995). People who engage in retirement preparation tend to report less anxiety and depression about retirement (MacEwen et al., 1995), greater confidence about managing the transition to retirement (Taylor-Carter, Cook, & Weinberg, 1997), and better adjustment, satisfaction (Rosenkoetter & Garris, 2001; Spiegel & Shultz, 2003), and well-being once retired (Noone, Stephens, & Alpass, 2009).

The issue of preparing for retirement looms even larger given some of the demographic and economic trends. Demographically, for example, the general aging of the population in the United States as well as in other developed and developing nations is widely known and well reported (see Alley & Crimmins, 2007). In the United States, the baby boom cohort of approximately 78 million people born between 1946 and 1964 will reach retirement age during the coming decade. This is occurring as life expectancies are also increasing. For example, someone 65 years old in 2007 (a common retirement age) could expect to live another 18.6 years (National Center for Health Statistics, 2009).

Economically, there are two significant pressures that will increase the proportion of retirement funding borne by the individual. One is the question of whether Social Security will continue to be a viable source of retirement income. The other is the shift from the use of defined benefit retirement plans to the use of defined contribution retirement plans. Defined benefit plans guarantee a minimum, known dollar benefit to retirees for the remainder of their lives, with risk of financial loss assumed by the organization managing the fund (e.g., a company or a labor union). Defined contribution plans require individuals to make their own investment choices and bear the full risk of financial loss. According to data from the Federal Reserve Board's (n.d.) Survey of Consumer Finances for the years 1985 through 2007, the number of families with defined benefit plans has declined by 50% since 1989, and the Pension Benefit Guaranty Corporation (2009) reported the number of defined benefit plans it insures declined from 114,396 to 29,400 between 1985 and 2006. Both of these issues—uncertain public pension plans and changing approaches toward private pension funding that push responsibility for self-sufficiency in retirement toward the individual—are occurring across most of the industrialized countries around the world (Organization for Economic Cooperation and Development, 2009). Taken together, these trends imply that in the coming decade, (a) there is a large cohort of people likely to be entering retirement, (b) the length of time they are likely to spend retired will be longer, and (c) they will have greater individual responsibility for planning for their retirement at a time when such planning has become increasingly complex.

A Model of Retirement Preparation

Retirement preparation involves planning for a period of time following middle age when one has stopped working altogether, decreased one's commitment to or involvement in work, or chosen a different type of work. Like the temporal view of retirement, retirement preparation unfolds over time. Indeed, Atchley's (1976) seminal work on retirement described retirement preparation as having a distal and a proximal phase based on how near one is to the retirement event. The nature and amount of preparation people engage in has been shown to change as they draw nearer to the retirement event (e.g., Hershey, Henkens, & Van Dalen, 2007; Phua & McNally, 2008). Although we focus on retirement preparation during the preretirement period, it should be noted that such retirement planning continues throughout the postretirement period and that this postretirement planning is also related to retirement adjustment (Donaldson, Earl, & Muratore, 2010). In addition to its temporal nature, retirement planning can be thought of as having process (amount and nature of planning) and outcome (characteristics of the retirement experience) components.

The process component involves an agentic process (Bandura, 2001) that includes notions such as forethought, intentionality, activity, and self-regulation. For example, retirement preparation involves anticipating and developing expectations about some future state (e.g., one's postretirement lifestyle) and taking steps to
achieve that future state. Because there is considerable uncertainty around both the future state and the necessary actions to achieve it, self-regulation by monitoring progress toward that state is essential. One must continually revise expectations and actions accordingly both before and well after the retirement event. As with any agentic process, demographic characteristics, individual differences, and the broader external environment help determine the amount and nature of preparation (Beehr & Bennett, 2007; Kemp, Rosenthal & Denton, 2005; Topa, Moriano, Depolo, Alcover & Morales, 2009). These variables include the more immediate social environment (family, friends, and the work organization) as well as the general societal and economic environment (e.g., social norms regarding retirement, the status of social security, and stock market performance).

The outcome component of retirement preparation can be conceptualized as the replacement of work as a central life activity. This perspective suggests that retirement preparation involves planning to meet needs during retirement that were formerly met through participation in paid work. Blustein (2008) suggested three fundamental needs that work can fulfill: (a) the need for survival, (b) the need for relatedness, and (c) the need for self-determination. Mor-Barak (1995) identified four needs that older workers can fulfill at work, based on Alderfer's needs theory and Erikson's life cycle model of human development. These included (a) financial, (b) personal, (c) social, and (d) generative needs. Generative needs refer to a need to pass on knowledge, ideas, and values to a younger generation. Clearly, these two sets of needs overlap. Both contain what Jahoda (1981) called the manifest (e.g., providing income that can be used to sustain one's lifestyle) and the latent (e.g., structuring one's time and providing opportunities for activity and social interactions) functions of work (Lim & Feldman, 2003).

However, considering retirement only in terms of replacing the work role as a source of need fulfillment implies that filling the void left by leaving one's former work role will be sufficient to bring satisfaction. Clearly, to a large extent, the manifest need for a stream of income must be replaced. But retirement also brings new opportunities and concerns regarding how one will spend one's time, for example, by participation in leisure activities or other productive activity such as volunteer or paid work (Wang, Adams, Beehr, & Shultz, 2009). It also brings changes to existing social relationships, as one has more time to spend with some individuals (e.g., one's spouse and family) while leaving behind others (e.g., work relationships). When one is no longer place-bound by work or develops health concerns, retirement also brings new options for living arrangements. For example, one may choose to relocate to an area that has a more preferred climate or that is closer to family members. Thus, the idea of replacing the work role and developing a satisfying retirement role that meets human needs suggests that planning for retirement involves considering four interrelated questions: What will I do? How will I afford it? Where will I live? and Who will I share it with?

What Will I Do?

Models of Activity Planning

Retirees have many options for how to spend their time after the retirement event. These include options for productive activity such as continued paid and volunteer work as well as leisure activities (Bass & Caro, 2001; Beehr & Nielson, 1995). All of these can contribute to a satisfying retirement lifestyle and help meet latent needs formerly fulfilled at work, such as structuring one's time and having social interactions and opportunities for generativity (Dendinger, Adams & Jacobson, 2005; Kleiber & Nimrod, 2008; Loi & Shultz, 2007). Paid work can also help meet the manifest need for income. Research suggests that paid work (S. Kim & Feldman, 2000; Zhan, Liu, & Shultz, 2009), volunteer work (Hao, 2008; McMunn, Nazroo, Wahrendorf, Breeze, & Zaninotto, 2009), and leisure activities (Bevil, O'Connor, & Mattoon, 1993; Pressman et al., 2009; Sener, Terzioglu, & Karabulut, 2007) are all related to better mental and physical health as well as retirement and life satisfaction. Paid work following retirement is commonly referred to as bridge employment (Feldman, 2003).
Bridge employment can take many different forms including phased retirement (continued work for one's current employer with a reduced workload) and full- or part-time work in the same career field as one's field prior to the retirement event or in a different field (Shultz, 2001; Wang et al., 2009). Volunteer work can involve housework and caring for one's family members as well as formally volunteering outside the home in business and civic organizations (Butrica & Shaner, 2006; Dosman, Fast, Chapman, & Keating, 2006; Kaskie, Imhof, Cavanaugh & Culp, 2008). Leisure activities are characterized by enjoyment, novelty, relaxation, companionship, aesthetic appreciation, and intimacy (Tinsley, Hinson, Tinsley, & Holt, 1993). Specific activities include talking to or visiting friends and family, involvement in clubs and organizations, religious activity, physical activity such as exercise and sports, and hobby activity such as gardening and arts and crafts (Nimrod, Janke, & Kleiber, 2009).

A survey of workers over the age of 45 found that more than half plan to work during retirement and that 89% would continue working even if they did not need the additional income (American Association of Retired Persons [AARP], 2002). Indeed, continued work after retirement has become increasingly common as an estimated 60%–64% of retirees continue in some form of paid work (Giandrea, Cahill, & Quinn, 2009). A 2004 survey of people 38–57 years old found that 51% planned to devote more time to volunteer work and 70% planned to devote a lot more time to a hobby or special interest after retirement (AARP, 2004).

These trends notwithstanding, relatively few studies have examined plans to engage in bridge employment or volunteer activity, and fewer still have examined plans for leisure activity. The research that has been done has often drawn from image theory, role theory, or continuity theory. Image theory suggests that workers develop self-images that are based on their past and current situations as well as on their goals for the future and then determine courses of action that allow them to maintain their self-images (Beach & Mitchell, 1987). Thus, people may plan to engage in a postretirement activity because it facilitates the maintenance of their self-identity. Role theory focuses on the transition from one role (worker) to another role and the likely discomfort that can occur during the role transition process (Ashforth, 2001). People may plan to engage in a postretirement activity such as work because it facilitates adjustment by allowing a gradual transition from the role of worker to the role of retiree. Continuity theory (Atchley, 1989) suggests that by maintaining internal (values and beliefs) and external (activities and relationships) patterns, people are able to adapt to life changes such as moving from work to retirement. According to this theory, retirement activity allows workers to maintain consistent internal and external patterns while also adapting to changes brought on by the retirement event. Still another approach to understanding bridge employment is the life course perspective (G. H. Elder & Johnson, 2003). This perspective suggests taking a more holistic view of the person by examining multiple and linked roles and by considering how past choices and experiences created a path to a person's current situation and influence future courses of action (Szinovacz, 2003). Studies adopting these approaches (i.e., Griffin & Hesketh, 2008; Moen, Plassmann, & Sweet, 2001; von Bonsdorff, Shultz, Leskinen, & Tansky, 2009) have found that both personal characteristics and situational factors are related to postretirement activities.

Empirical Findings for Activity Planning

Demographic characteristics

Demographic characteristics have been shown to be related to plans for postretirement activity in several studies. Using data from the Midcareer Paths and Passages Study, Moen et al. (2001) found that older baby boomers (those born between 1946 and 1956) reported higher levels of planning for bridge employment than did younger baby boomers. This finding for age is somewhat counterintuitive. Age is often seen as a proxy for poorer health and cognitive functioning, which would seem to push people away from bridge employment. Consistent with this idea is von Bonsdorff et al.'s (2009) finding that older people were less likely to plan to engage in bridge employment than were younger people. Regarding gender, Moen et al. (2001) found that men reported higher levels of planning for bridge employment, hobbies, and social club membership and lower levels
of planning for volunteer work than did women. In contrast, Petkoska and Earl (2009) found that women were more likely to plan for leisure than were men. Von Bonsdorff et al. (2009) found that men were more likely to plan to engage in bridge employment in a different field rather than not to work at all and less likely to plan to engage in bridge employment in the same career field rather than in a different field when compared with women. Again, the reason for these differences is unclear. They could be related to both resource and psychological mechanisms. Clearly, findings regarding demographic characteristics suggest that there may be individual differences and situational factors creating discrepancies across the various groups.

Individual differences
Poor health is one variable that would be expected to limit the ability to engage in certain postretirement activities (Feldman, 1994; S. Kim & Feldman, 2000; Shultz, 2003; Wang et al., 2009). However, in terms of planning for bridge employment, the results are more equivocal. For instance, Griffin and Hesketh (2008) did not find that health distinguished those who planned to engage in bridge employment from those who planned to stop working altogether. A desire to earn more money and make better use of one's skills increased the desirability of pursuing bridge employment within the same or a different field, whereas nonwork interests decreased the desirability of pursuing bridge employment in a different field compared with full-time work (von Bonsdorff et al., 2009). Interestingly, Griffin and Hesketh (2008) found that those who were more proactive in their planning for retirement were more likely to plan to engage in bridge employment and volunteer work.

Situational factors
The research examining situational factors has used self-reported data. Thus research findings for situational factors are based on perceptions of the environment. Nevertheless, they represent the environment as experienced by the individual and can be as important as the environment itself. Griffin and Hesketh (2008) found that those who reported being “tired of work” were less likely to plan to engage in bridge employment or volunteer work than to not work at all. Interestingly, they found that those who reported feeling more overloaded at work were more likely to plan to engage in bridge employment and volunteer work than to not work at all. Von Bonsdorff et al. (2009) found that people with concerns about changes in their employer-provided benefits were more likely to plan to engage in bridge employment in a different field than to stop working altogether. These authors also found that positive perceptions of the job market increased the probability of having plans to engage in different-field bridge employment rather than plans to fully retire.

How one answers the question about what one will do during retirement both influences and is influenced by how one answers the other main questions surrounding retirement preparation. Decisions about the degree to which one wants to pursue leisure activities such as taking up a hobby, volunteer work, or paid work have implications for one's finances, social interactions, and housing choices. For instance, planning to pursue a great deal of leisure activity likely requires a different type of answer to the question about how to afford retirement than does planning to pursue continued employment. In addition, it is likely the case that the types of options that can realistically be pursued are influenced by the types of social relationships one has developed and where one lives as well as by the level of success one has had with financial planning.

How Will I Afford It?
Models of Financial Preparation
Considerable research on retirement preparation has focused on planning to meet financial needs during retirement. This would seem appropriate given that the ability to afford retirement influences the timing of the retirement event and the retirement lifestyle that follows. Finances are also strongly related to satisfaction with one's retirement lifestyle (see reviews by Taylor & Doverspike, 2003; Taylor & Geldhauser, 2007; and Wang & Shultz, 2010). Economics, behavioral finance, and psychology have been used to study financial preparation for
retirement. Although each of these fields adopts its own perspective and emphasizes different variables that relate to planning, they share some commonalities. For instance, while taking a decision-making approach to understanding retirement planning, they are all consistent with the temporal view of planning we adopt here. Together they provide a rich literature on individual and environmental processes related to financial preparation for retirement.

Much of the research on financial preparation for retirement uses classic life cycle economic theory (Ando & Modigliani, 1963). Briefly, this theory posits that people attempt to “smooth” their income and consumption over the course of their lifetimes. Thus they must save during their working years to be able to spend during their retirement years (Hatcher, 2003). It is a very rational model that, in its basic form, assumes people know (a) their current and future earnings from work, (b) the rates of return on their savings, (c) how long they will spend retired, and (d) the level of income needed to fund their desired retirement lifestyle. This model has served as a foundation for much of what we know about financial preparation. As Hatcher (2003) pointed out, there is a “mountain of evidence suggesting that individuals, to some extent, act as rational economic beings” (p. 137).

However, life cycle economic theory is a model and is not intended to be a complete and accurate representation of reality (Benartzi & Thaler, 2007; Burtless, 2006). As such it has also been the impetus for a large body of research on the model's assumptions and its less rational aspects. Behavioral finance (Barberis & Thaler, 2003) and economic psychology (Roland-Lévy & Kirchler, 2009) view financial preparation as a set of financial constructs that are influenced by psychological constructs. One approach is to apply the psychology of decision making to choices made regarding financial preparation for retirement. For example, using the literature on heuristics and bias drawn from classic work in cognitive psychology (Tversky & Kahneman, 2002), Benartzi and Thaler (2007) showed how a number of cognitive shortcuts lead to faulty decisions about how to save for retirement. Dulebohn and colleagues (Dulebohn, 2002; Dulebohn, Murray, & Sun, 2000) developed a model of financial preparation for retirement based on psychological theories regarding attitudes (Ajzen, 1987) and risk (Loewenstein, Weber, Hsee, & Welch, 2001). Individual differences in such variables as risk propensity, locus of control, and self-efficacy predict preferences for pension plan features that influence choice of pension plans. These models have called attention to characteristics of retirement savings instruments and individual differences that relate to financial preparation for retirement.

Other research on financial preparation has come from areas such as industrial and organizational psychology and developmental psychology. Perhaps one of the most well-developed models is the psycho-motivational model proposed by Hershey and colleagues (Hershey, 2004; Hershey, Jacobs-Lawson, McArdle, & Hamagami, 2007). Predictors of financial preparation behavior are arranged into four broad categories. The first set of predictors is called the cultural ethos and includes societal, family, and peer norms. The second is psychological influences, which includes variables related to personality, cognition, and motivation. The third is financial resources and economic forces, which includes household income and broader economic conditions. The fourth refers to characteristics of the planning task and includes variables such as the complexity of the task and the availability of savings options. This model is a mediational model in that the cultural ethos is thought to influence psychological variables and financial resources and economic forces. These, along with planning task characteristics, in turn predict financial preparation behavior (e.g., saving and investing efforts and decisions). While widely studied concepts such as personality, motivation, and cognition firmly situate this model within the domain of psychology, the inclusion of societal norms, economic concepts, and financial concepts reflects the model's interdisciplinary nature.
Empirical Findings for Financial Preparation

In the section that follows we summarize key findings from the sizable literature examining the approaches and models just reviewed. We focus our attention on demographic and individual-difference variables and their relationships. Then we briefly discuss situational influences on financial preparation for retirement.

Demographic characteristics

Demographic characteristics are often included in studies of financial preparation for retirement. Those closer to retirement (Moen et al., 2001) and those with higher levels of education (DeVaney & Chiremba, 2005) are more likely to have engaged in financial preparation for retirement. Compared with White males, women (Glass & Kilpatrick, 1998) and African Americans and Hispanics (Employee Benefit Research Institute, 2007) tend to plan less and save less for retirement (however, some findings suggest that the gap between men's and women's planning may be narrowing; Employee Benefit Research Institute, 2009). The precise reasons why demographic variables relate to financial preparation are not always clear or direct. It may seem obvious that older individuals plan more because finances become more salient as they approach retirement or because owing to life cycle factors (higher income, decreased childrearing expenses, etc.), older people have more financial resources to devote to retirement savings. However, age is also positively related to retirement goal clarity, preparation activity (Stawski, Hershey & Jacobs-Lawson, 2007), and knowledge about investments (Dulebohn, 2002), which are, in turn, related to retirement saving contributions and choices. Similarly, gender and race may play a role because women and minorities tend to have fewer financial resources to save for retirement (Taylor & Geldhauser, 2007) or because gender and race are related to other variables (i.e., risk tolerance) that are associated with financial preparation (Yao, Gutter, & Hanna, 2005).

Individual differences

Perhaps one of the most robust findings across the literature is that financial literacy (a cognitive factor in Hershey, Jacobs-Lawson, et al.’s [2007] psycho-motivational model) plays a key role in financial preparation for retirement. Both experimental (Hershey, Mowen, & Jacobs-Lawson, 2003) and nonexperimental (Hershey, Walsh, Brougham, Carter, & Farrell, 1998) studies demonstrate that understanding the basic principles of saving, such as compound interest, has a direct effect on financial preparation. This effect holds after controlling for demographic characteristics (Lusardi & Mitchell, 2007). Two personality-related variables, risk tolerance and future time perspective, have also been found to relate to financial preparation. Risk tolerance refers to the ability to accept the potential for loss of invested assets and has been shown to be related to the amount of financial preparation and the selection of investment options (Dulebohn, 2002). Future time perspective refers to one's preference for taking a long-term view (as opposed to being focused on the past or present) and having a long-term planning orientation (Hershey, 2004; Hershey, Jacobs-Lawson, et al., 2007). Both have been shown to interact with each other and with risk tolerance in predicting financial preparation for retirement (Jacobs-Lawson & Hershey, 2005).

Another individual-difference variable is retirement goal clarity. It refers to having set clear financial goals for retirement, which can serve to motivate financial preparation (Neukam & Hershey, 2003). Research suggests that those who set clear financial goals engage in more financial preparation and that this relationship is even stronger when people have financial knowledge (Hershey et al., 2003). Beyond the direct and interactive effects found for these variables, still other research has found that individual differences act as intervening psychological mechanisms (mediator variables) linking demographic variables to financial preparation (Stawski, Hershey, & Jacobs-Lawson, 2007) and that there may be further mediational links among the individual differences in predicting financial preparation for retirement (Hershey, Henkens, & Van Dalen, 2007; Hershey, Jacobs-Lawson, et al., 2007).
Situational factors involve characteristics of the workplace, family, and broader social environment that relate to financial preparation for retirement. Perhaps because of the importance of financial knowledge, considerable research has focused on the effect of retirement preparation programs provided in the workplace. Organizations that provide financial preparation seminars have higher participation and contributions to self-directed retirement funding plans (Bayer, Bernheim, & Sholz, 2009). Those who attend workplace retirement seminars have more favorable expectations regarding retirement (Taylor-Carter, Cook, & Weinberg, 1997), acquire knowledge of basic financial planning principles (Hershey et al., 1998), are more likely to engage in financial preparation, and save more (Hershey et al., 2003). Thus, by providing retirement preparation programs, organizations influence financial preparation for retirement.

Family characteristics have also been shown to influence financial preparation. Generally, those who are married are more likely to prepare financially for retirement (DeVaney & Chiremba, 2005), but as the number of family members living in the household increases, retirement savings plans decrease (Joo & Grable, 2005). Family transitions such as divorce and the death of a spouse have also been related to financial preparation, but the direction of these relationships is somewhat unclear (Kemp, Rosenthal, & Denton, 2005). At the societal level, much research suggests that people plan to use Social Security and private pensions to help fund their retirement (Gustman & Steinmeier, 2009).

Where Will I Live?
Models of Retirement Housing Planning
Although it is a common perception that many people choose to relocate following retirement, the reality is much different. According to an analysis of U.S. Census data by the AARP (2006), over the past 20 years only about 9% of the population aged 60 and over moved outside their county in the five years before the Census data were gathered. Further, the data suggested that what little mobility occurred was often unplanned. Among the “residentially mobile” older population, only 38% indicated that they had planned the move ahead of time, whereas 58% indicated they made the move on short notice (AARP, 2006).

In large part, the lack of planning can be explained by the fact that the vast majority of older individuals express a preference to remain in their same housing throughout their retirement. Indeed, data from the AARP suggested that at least 80% of older Americans expressed a desire to age in their current residence (AARP, 1992, 1996). In addition, planning is impeded by the fact that most older people are unfamiliar with the options available to them (Gibler, Lumpkin, & Moschis, 1997). Even those who already live in some sort of retirement housing do not have a thorough understanding of the range of retirement housing options (Gibler et al., 1997).

However, as life spans increase, more retirees will find that remaining in one place throughout their retired life is not possible. The need for assistance with some of the activities of daily living (e.g., preparing meals, doing housework, and grocery shopping) increases with age. Macken (1986) found that about 13% of those between the ages of 65 and 69 reported a functional impairment; that number increased to 28% for those over age 79. These individuals may be “pushed” into alternative housing. By contrast, younger retirees with financial means are increasingly being “pulled” toward retirement communities that promise an active lifestyle, social ties, and a variety of amenities and conveniences (De Jong, Wilmoth, Angel, & Cornwell, 1995; Speare, Avery, & Lawton; 1991).

A recent study supports the conclusion that planning for retirement housing is becoming more necessary and more prevalent. In a 2007 survey of those over age 60, 12% of respondents indicated they were moving to some type of retirement housing, compared with 7% in 1998 (National Investment Center, 2007). Respondents indicating they would consider moving to retirement housing increased from 18% to 37%. The number of
housing options has also increased. The AARP (2010) identified eight major options for housing after retirement: moving in with (or next to) adult children, homesharing, foster care, board and care homes, senior retirement communities, assisted living residences, continuing care retirement communities, and nursing homes. As housing is such an integral part of the quality of one's life, and the number of options for housing alternatives is increasing, planning for where to live in retirement has become not only more important but more complex.

Although there is no consensus on a model of retirement housing planning, several perspectives have been offered. The push–pull model draws from migration theory, which conceptualizes decisions to relocate as determined by “attractive and unattractive characteristics in their places of origin and destination” (Walters, 2002, p. 243). Push factors might include a physical ailment or financial strain that makes it difficult to care for oneself. Pull factors might include retirement home amenities, social networks, and access to cultural events (Gibler et al., 1997). Push–pull models tend to assume that all individuals are affected similarly by these factors. So, for example, financial strain is believed to push one into certain living arrangements, and desirable amenities are expected to pull one into certain living arrangements, regardless of one's individual characteristics.

By contrast, the life course perspective views living arrangements in later life as a function of earlier life experiences. It is the accumulation of life experiences and the interaction of these experiences with individual preferences, expectations, and roles that shape individual housing preferences and decisions. Thus, an event like the loss of financial means will affect people in different ways, and will result in different housing decisions, depending on their prior life experiences. The life course perspective incorporates human agency, subjective appraisals and expectations, and contextual factors as important variables affecting retirement housing planning (Robison & Moen, 2000; Walters, 2002).

In addition to these two dominant perspectives, Wiseman (1980) proposed that the process of retirement housing planning starts with a triggering event that initiates consideration of a move. By contrast, Haas and Serow (1993) suggested that the process of planning for retirement housing starts with thoughts about one's living arrangements early in the retirement process. Gibler and Lee (2005) incorporated elements of both these models by proposing that advance migration and location decisions (i.e., those that are not a function of an immediate triggering event such as a health crisis) are a function of motivating (or predisposing) factors, inhibiting factors, and enabling factors that both push and pull individuals out of their current living arrangements. Gibler and Lee (2005) noted that within these push–pull models, various endogenous and exogenous factors have been proposed to inhibit or enable actual living arrangement transitions. As described by Gibler et al. (1997), enabling factors (e.g., good health, financial resources, family support) capture the individual's ability to afford retirement housing as well as the extent to which such housing is available to the individual. Inhibiting factors (e.g., family bonds, home ownership, cultural taboos) are those that present obstacles or barriers to utilizing various retirement housing options. These may include family obligations (or objections) or negative perceptions about housing. Gibler et al. (1997) described motivating or predisposing factors (e.g., favorable attitudes toward retirement housing, desire to improve quality of life, desire for social contact) as those variables that indicate an individual has generally positive attitudes toward retirement housing as well as knowledge about housing options. Gibler and Lee (2005) drew these inhibiting, enabling, and predisposing variables from both the push–pull and life course models.

Empirical Findings for Housing Planning

Although there is ample empirical work looking at the impact of predisposing, enabling, and inhibiting factors on actual housing selection in retirement and beyond (see Gibler & Lee, 2005, for a review), there is little work that looks at the planning process itself. Gibler and Lee (2005) found that among South Korean baby boomers, planning to live separately from one's children was tied to attitudes and pension participation, rather than to socioeconomic status. Concerns about conflict with children, participation in a pension plan, and a positive
attitude toward living independently were associated with a positive attitude toward seniors housing. Walters (1994) posited that push–pull studies of elderly migration have produced inconsistent results because of their failure to account for individual differences suggested by a life course model. Walters (2002) concluded that the life course framework provides greater promise for understanding the planning decisions of older individuals.

Who Will I Share It With?
Models of Relationship Planning
The transition into retirement is often framed in practical terms: Will there be enough money, where will I live, and what will I do? However, another important part of retirement planning should be consideration of the effects of retirement on one's relationships with life partners, friends, family members, and others who form one's social support. There is ample evidence that retirement changes more than just the style of living; it changes relationships and one's sense of self (e.g., Atchley, 1992; J. E. Kim & Moen, 2002; Smith & Moen, 2004; Szinovacz, 2003; Szinovacz & Davey, 2005). Here we limit our discussion to spousal relationships because they have received the vast majority of attention in the literature.

Although early research suggested that marital satisfaction remains relatively unchanged after retirement, recent research suggests a more complex interaction. Exchange and resource theories have been used to explain changes in the spousal relationship (Sabatelli & Shehan, 1993; Szinovacz, 1987; Szinovacz & Davey, 2005). According to these theories, spouses’ relative resources and authority in a relationship determine the extent of their relative power. Retirement disrupts a couple's pattern of power and influence within the relationship by changing both resources and authority. The greater the shift in power and influence, the greater the likelihood that one or both spouses will be less satisfied in the relationship following retirement. This model has received some research support. For example, Szinovacz and Davey (2005) found that retirement timing has an effect on marital satisfaction following retirement. In their study, both retired husbands and retired wives were least satisfied after retirement when their spouses both had more decision-making authority before retirement and remained employed.

Another model that might explain the effects of retirement on spousal relationships is the family stress model of economic pressure and marital distress (Conger, Ge, & Lorenz, 1994). This model envisions marital distress as a function of conflict between spouses arising from their respective feelings of depression over economic issues. Prior research has provided evidence supporting the family stress model when looking at marital conflict more generally and with regard to retired couples more specifically (Dew & Yorgason, 2010). Given that the changes in authority and power, as well as economic pressures, are somewhat predictable, it seems clear that couples could benefit from preretirement relationship planning. Data from the National Survey of Families and Households, as reported by Dew and Yorgason (2010), lend additional support for the potential of preretirement relationship counseling. These authors found that couples who had time to adjust to retirement showed few signs of family stress, and the model was supported for those who were newly retired.

Of all the areas of preretirement planning, we know the least about relationship planning or counseling. To our knowledge, there is only one study that speaks to this issue. Trudel et al. (2008) recruited 80 couples between the ages of 55 and 69 who had lived together for at least five years and who had been retired for between one and five years to participate in a counseling intervention study focusing on communication, problem solving, and sexual/nonsexual intimacy. The results of their study showed a positive effect of the intervention on self-perceived functioning, marital satisfaction, and beliefs about marital life. Participants also demonstrated improvements in general sexual functioning, satisfaction, and desire, as well as increased knowledge and improved attitudes about sexuality in the elderly.
It is not clear whether either the models or instruments for relationship planning and counseling, such as those used in premarital counseling, could be effective for preretirement relationship counseling. (Indeed, it is not clear whether these instruments are useful to couples anticipating marriage; Williams, 2007). However, it would seem that some premarital counseling would not be appropriate or particularly helpful to older couples who have been married for any length of time (e.g., learning about each other's attitudes toward money, children, and religion or each other's taste in housing and furnishings). On the other hand, other aspects of premarital counseling (e.g., communication, conflict resolution, commitment, problem-solving, finances, and sexual relations) may have considerable potential for preparing couples for changes in retirement and the years that follow.

As important as the marriage relationship is, we must point out that planning should encompass other relationships that are affected by retirement: children, grandchildren, parents, friends, neighbors, former coworkers, and even health care providers. Dorfman (2002) noted, “Whether it be in relationship dynamics between the retiree and spouse, in family visiting patterns, or in interactions with adult children, grandchildren, or siblings, the impact of retirement extends well beyond the retired person” (p. 74). Her work is suggestive of the types of changes that one could or should plan for: expectations for help with grandchildren, financial help to children, desire to get to know one's grandchildren, spending more time with siblings, and taking on more caregiving responsibilities.

Future Directions
The results of these studies suggest a number of areas for future research and practice. One of the first of these is the issue of measuring retirement preparation. Although progress is starting to be made (e.g., Muratore & Earl, 2010; Petkoska & Earl, 2009), there are still few well-developed measures that span the full range of retirement preparation. In many cases, the measures that do exist tend to be geographically specific because of differences in Social Security arrangements and access to government resources. This lack of well-developed measures is problematic for researchers and practitioners alike. In the research domain, it becomes difficult to cumulate results across different studies. In the practice domain, it makes it difficult to assess people's standing in the area of retirement preparation and to provide feedback to people about potential gaps in their preparation. On a related note, there is a wide range of preretirement planning programs being offered by government, private industry, and organizations like the AARP as well as numerous self-help books about retirement planning. Although some of these types of programs have conducted their own internal evaluations, we are aware of no large-scale rigorous research that compares these different types of programs. This type of research is sorely needed.

The second issue we note is that whether they influence retirement preparation through resource mechanisms or other more psychological mechanisms, it is clear that demographic characteristics play an important role in preparation for retirement. When considered merely as group membership variables, demographic characteristics can help identify populations who are at risk for poor retirement planning and who could be targeted for interventions. However, additional research to better understand why demographic variables are predictive of retirement preparation is still needed. For example, a better understanding of the psychological reasons that demographic variables relate to financial preparation could help inform the content of interventions aimed at facilitating financial preparation. The research on individual differences also has practical applications. For those involved in counseling, the results suggest that helping clients to manage anxiety about risk, consider a longer view, delay gratification, and set clear goals may help facilitate financial preparation for retirement. Research specifically addressing stable individual differences (e.g., personality traits such as conscientiousness or openness to new experiences) with respect to planning for retirement activities would also seem a fruitful area to pursue.
Another avenue to pursue would be to consider variables that influence actual involvement in bridge employment. Several excellent models for this exist (e.g., Shultz, 2003). The research that has been done, while providing information about who plans for retirement and some of the personal and situational factors that may lead to planning, tells us very little about how people plan for work after retirement. Future research in this area might consider models and theories from the literature on vocational choice and guidance earlier in life (e.g., Fouad, 2007; Hartung, Porfeli, & Vondracek, 2005). This approach could help inform the types of interventions that would help people better plan their choice of activities following retirement. Indeed, there is growing recognition that retirement can be viewed as a late career stage (Wang et al., 2009), and this perspective too brings with it several excellent possibilities for future research and practice. First, it might help organizations consider a wider range of career options for late-career workers rather than pigeonholing them into a narrow set of roles (e.g., mentors). It will also be interesting to see how retirement preparation evolves over time. One might speculate that one reason today’s older workers have not engaged in a great deal of planning for late careers is that their employers have historically played a much larger role in planning their careers for them. However, like other aspects of retirement (e.g., finances), the trend in career management has been to shift responsibility to the individual (Sterns & Kaplan, 2003). As future generations of workers become more accustomed to managing their own careers, they may engage in more planning for their late careers.

Preparation for housing and relationships in retirement is also in need of additional research. Despite the research on actual migration and housing decisions, little is known about the planning process for retirement housing. Key to advancing research in this area is the development of a comprehensive model of retirement housing planning. For example, research should identify the effects of personality, psychological traits, cultural differences, demographic and socioeconomic factors, and education (general and targeted) on housing planning processes. The relationship between remote thoughts of housing planning and effects of later triggering events should also be explored. Presumably, individuals who have had remote thoughts about housing options and who have done some a priori planning will respond differently to triggering events than will those who have not. Research is needed to better understand the impact of preretirement housing planning on later housing choices, including possible moderating effects (e.g., variables that might change the relationship between prior plans and later decisions), satisfaction with housing, and physical and psychological well-being. Finally, there is a great need to explore the potential of preretirement relationship planning. As with housing, this area would benefit greatly from the development of theory identifying characteristics of effective counseling and planning and their impact on a variety of retirement outcomes.

Conclusion
Throughout this article, we have explored a broadened view of the concept of “retirement planning.” On the basis of our review, we draw three general conclusions. First, retirement is an issue that is affecting an increasingly larger number of people for an increasingly longer period of time. The typical worker today is likely to have approximately 15–20 years of retirement. With the decline of defined benefit plans (and an increase in the use of defined contribution plans) as well as the tentative status of Social Security, individuals are increasingly responsible for financing the majority of their own retirement. It is a given, therefore, that retirement planning needs to start earlier and remain a constant consideration throughout one’s work life.

Second, preparation for retirement is critically important to quality of life during retirement. Anticipating retirement activities helps older workers more readily meet their latent needs for structure and social interaction. This should, in turn, enhance self-image and generativity. With better planning of their finances, older Americans experience less stress and are able to maintain a more consistent standard of living throughout their lifetimes, reducing or delaying the need for dramatic lifestyle changes, which can be upsetting. Giving careful thought to living arrangements in retirement can help older individuals remain in their homes for as long
as possible (an expressed desire of most individuals in retirement) while at the same time psychologically preparing them for the likelihood that leaving the home may be necessary at some point. Greater attention to the changes that occur in relationships following retirement has enormous potential for improving quality of life following retirement. Relationship research and subsequent informed counseling can help older individuals understand what changes to expect and develop strategies with which to cope.

Finally, although psychology has begun to play a role in understanding retirement preparation, there are considerable opportunities for psychologists to engage this issue in their research and applied work. As noted earlier, measurement development is needed to bring consistency and generalizability to the research over the full range of retirement planning activities. A better understanding of the role of demographic characteristics and individual differences would enhance psychologists’ ability to provide counseling to those planning retirement. Other literatures (e.g., vocational choice, guidance counseling, and marital counseling) can inform theory development in retirement planning and should be explored.

The area of retirement planning presents an exciting new challenge for psychologists. Although there is considerable work to be done, expanding the scope of research and practice in retirement planning holds great potential for helping influence life satisfaction among older adults. Given this potential, we can be inspired by the thought that the extent of the challenge will be commensurate with the rewards.

REFERENCES


