Posts .

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Posts .

October, 2021 InFRE Update: New CRC® Candidate Registration Expiration Policy

Earlier this year, the CRC® Board of Standards and Policy Development (BOS) passed a new policy that will generally require CRC® Candidates to schedule their CRC® examination within two years of their registration date.

Prior to this policy, a candidate could maintain their registration indefinitely.   The new policy is as follows:

> *A CRC® Candidate's registration for the CRC® program will expire when a Candidate does not schedule their CRC® examination within 24 months of their program registration date. A Candidate who fails the CRC® examination within six (6) months of their registration expiration date will automatically receive a 12-month extension on their expiration date. After a Candidate's registration expires, individuals may re-register for the CRC® program by submitting a new CRC® registration form and an expired registration fee of $150 to InFRE. The Candidate will then be assigned a new CRC® registration date.*

An additional 12-month extension may be added to a CRC® Candidate's registration for health reasons or other extenuating circumstances. All requests for a registration extension must be submitted prior to a Candidate's registration expiration date and will be considered by the BOS on a timely basis.

Candidates who have been registered for the CRC® examination for more than two years as of March 1, 2021, must schedule their exam by the April 2022 testing window to avoid an expiration of their registration and Candidates who have been registered for less than two years as of March 2021, must schedule their exam by April 2023.

Have a question about this new policy? Contact our Customer Care.

Posts .

Grief Literacy for Financial Advisors: Engaging the Bereaved Client

Kathi Balasek, MA, Grief Communication Consultant for Financial Professionals

Editor's note: This article is an adaptation of the live webinar delivered by Kathi Balasek in 2021. Her comments have been edited for clarity and length.

You can read the summary article here as part of the 3rd Qtr 2021 Retirement InSight and Trends Newsletter, worth 1.0 CE when read in its entirety (after passing the online quiz.)

You may also choose to take the full length course "Grief Literacy for Financial Advisors: Engaging the Bereaved Client for 1.0 hour continuing education (CE) credit.

By Kathi Balasek, MA, Grief Communication Consultant for Financial Professionals

In short, grief literacy is simply normalizing the conversation surrounding grief and, specifically, our grief responses. As advisors, you are much more comfortable with charts, graphs, and numbers, so that's very natural, and you're fluent in that type of conversation. Conversation about grief can be quite uncomfortable, so we're going to get into practice so that you'll be ready when it happens.

The Language of Loss

I like this quote: "Courage isn't absence of fear. It is the awareness that something else is important." Nobody ever taught us the language of loss. Grief, death – it's a universal experience, yet it's not a universal language.

You hear it all over, and it's over 70% right now. Over 70% of women leave their financial advisor the first year after the death of their spouse. I was at the other side of the desk, so I speak widow. As an educator and connector, I want to help you with awkward things that you are facing. I teach financial advisors how to communicate effectively, to engage, retain, and attract widow clients. I do that with an approach to building communication, action, relationships, and empowerment.

Why focus on widows? I didn't have any long-term planning knowledge as a young wife, a mother, then a caregiver, and then a widow. What we want to be clear on is that widows are very, very different. When you lose a brother or a sister or a mother or a friend or a child, that type of loss and grief is one thing, but it's financial when you lose a spouse.

The financial impact is huge. Half of the income is now gone, yet your bills are still there. Here's one interesting thing that a lot of financial advisors don't understand. Yes, it is a blessing to receive life insurance funds when a widow. I was well taken care of; my late husband had a pension. But with this money comes a lot of emotions – guilt, sadness, and regret because it came with such a high price.

Why Focus on Widows/Women Now?

You've heard about the great wealth transfer with Baby Boomers. Seventy percent of all married Baby Boomers will experience widowhood. These are females. The great wealth transfer is coming, and it's passing approximately $30 trillion over the next several years. Widows will be first in line, and they also could be dual inheritors from a spouse or a parent. For advisors, this is huge information.

It makes sense to market to widows and women. How many widow clients do you have currently? Maybe a few? How many clients do you have currently? Sadly enough, of your women clients, the data predict that they will be future widows.

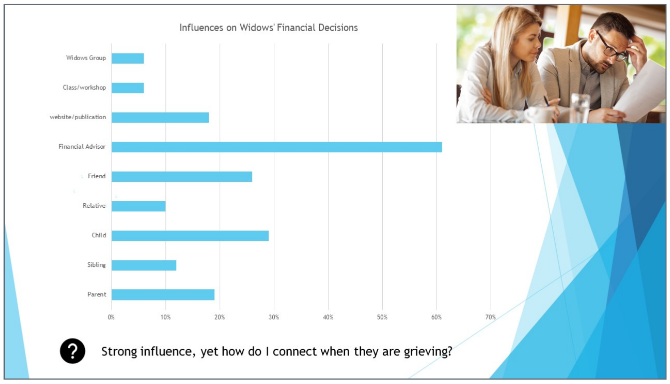
You simply cannot ignore the numbers. While researching this topic for several years, one of the things that still stands out to me is that pie chart where 80% of men die married. That is a tough pill to swallow. Many of these widows are not the grandma/granny sitting in a rocking chair knitting and with nine cats. The demographic of widows is much more different.

There are an estimated 258 million widows worldwide, 13.6 million in America. Worldwide, 2,800 a day are widowed, or one million a year. This is sad, sobering, and a subject that some people don't want to talk about. It seems disrespectful, but the more you know as financial advisors, the more we'll be ready.

What is the number one rated most stressful life event? Loss of a spouse. There's more information that this stressful event is most vivid the first year. Who will be there for them? Widows today are younger. The average age is 59, living 15 years on her own. For widows, those 15-plus years will probably be a different financial picture and have different financial goals than what they did before the death of their spouse.

Most widows are educated. They have careers. They've overseen their career, raising a family, finances, and budget, but very few of them have had an equal part in the investment planning. They lack confidence in long-term planning. What we want to think about is who influences their money decisions moving forward? They don't have anybody to bounce those ideas off any longer.

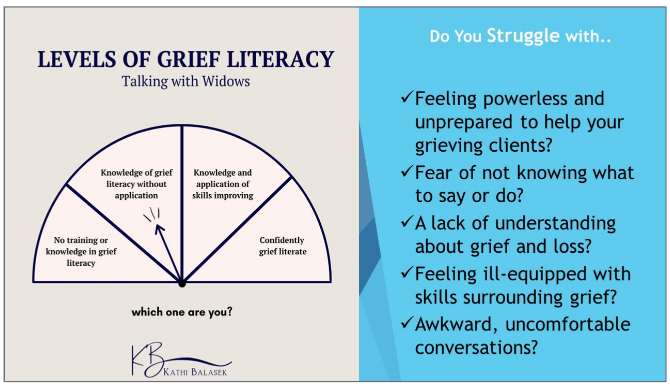
I've found this study very insightful. It was based on interviewing widows and how they move forward. Widows were asked if they could respond to one to three of their top influences.



You can see that financial advisors are still most turned to, but you're going to need a different approach in the future, and that's grief literacy.

Levels of Grief Literacy

When we think about death, dying, grief, all of those things, our body language changes. We talk in hushed voices. We want to flip that, so ask yourself some of these questions.



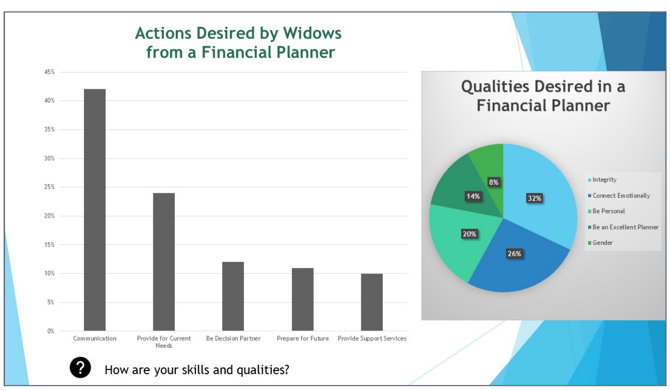
These are awkward, uncomfortable conversations. As with anything, it takes practice. It takes rehearsal. We want to get advisors to a point where it's like the fire drill we all did in school. We practiced the fire drill multiple times, so we know exactly what to do when it happens. We don't even need to think about it. That's where grief literacy can help you.

It's important to know that grief literacy does not fix grief. It doesn't take it away. It doesn't ask the bereaved person to move on, let go, or get over it. On the contrary, the absence of grief literacy skills can lead us to cause harm to the very people we serve.

As a lifelong teacher, I'm not here to judge you or your skills. I'm here to help you along. When we think about this, grief literacy, widows, what do widows want from their financial advisors?

Actions Desired by Widows from Financial Planners

Here are a couple of studies; actions desired by widows from financial planners and qualities desired in a financial planner. The number one action desired by widows of advisors is communication. They want to be able to communicate with you.



I'm sure for many of you who have worked with bereaved clients, you know there are barriers put up before they come in to see you or when they speak with you. For example, assume you've bought a 1,000-piece puzzle, and you've spilled it all over the carpet. When you're a widow, you don't even get to see the picture on the box because you don't know what the financial picture looks like.

You have so many missing pieces, and you don't know what the future will be. It is just completely overwhelming, so you desire an advisor who can communicate with you, be a decision partner with you, and walk alongside you as you grow and walk through this grief.

What is relevant and valid in the pie chart is to point out is that gender was of little importance. I think we make many assumptions that the gender of financial advisors in an industry that historically leans male would be more important. Truly, regardless of gender, anybody can be a champion for widows.

CARE

Gauge your qualities. Where are you? How are your skills and qualities in these areas for widows? This is my primary curriculum.

I'm a teacher, so I love a good acronym, and I also believe in simplifying it and making easy, actionable steps. When we talk about CARE, we mean:

- *Communication*, what you say
- *Action*, what you do
- *Relationship*, what you've built, and
- *Empower,* how you help your bereaved client grow.

Ask yourself, currently:

- What do you or your company have in place for widows?
- Is there a handbook? Are there resources? Are there forms?
- Is there a priority list or timeline when a bereaved client comes into the office?
- What ways are you engaging widows or women currently?
- Is this a part of your practice? In what ways are you building this part of your practice?
- What's missing? Where are the gaps?

Think about you as the grief leader. This is something you cannot pass the buck for; they are looking for you, your staff, and your team to show grief leadership. Teach your whole team what to say, what to do, how to build, how to grow.

Financial advisors, like coaches, know how to play offense. You know how to anticipate, forecast, prepare, and practice. You know that value, so that should be your same approach to working with women and widows. I love this quote by Wayne Gretzky, the Great One: I skate to where the puck is going to be, not where it has been. So, where is the puck heading? It's heading toward widows and the wealth transfer of Baby Boomers.

Communication

Let's start with the first part of our acronym, or what to say. This is where we seem to get most stuck. We get tongue-tied, it's awkward, and it's not fluent. It's sort of like when you go to a foreign country, and you order something at a restaurant, and you don't know if you ordered the right food because you don't know the language yet.

Underneath communication, there are several things. Our body language tells the story, specifically when we are not confident. When we are nervous or unsure, it shows. One thing that's important in body language research is that women read body language better than men. When a female doesn't understand the message, they will read the body language first.

That is key when we're talking about grief literacy and practicing body language. We want to listen to understand, not solve, and practice those listening skills around grief, around death.

It seems to be noted that there's much bias in the types of death. The unconscious bias that we can bring to the table means we approach types of death differently. We have a set of unconscious emotions that we need to make sure that we're not showing in our meetings, in our conversations with our bereaved clients whether someone died of old age and they had a wonderful life, or if their death is suicide or overdose, or if they died very young with several children.

"I'm sorry." That is our go-to. When somebody says, "My husband died, "My brother died," we say I'm sorry. "I'm sorry" isn't enough when someone you know is experiencing grief. This is your client. It's what everyone says. It's overused, programmed, and lacking original thought. Mostly though, it doesn't cultivate connection and engage conversation. You want the conversation to continue with a bereaved client.

If you've ever had children or junior high students, you pick them up from school, and you say, "How was your day?" "Fine." "What did you do?" "Nothing." Those are conversations that don't continue, so we need to learn how to ask better questions. We need to learn what you should say and what you shouldn't.

When I talk about mirroring the grief terms, every grief therapist out there will say you should use the present terms like death, died, funeral rather than passed or loss. Those are ambiguous terms; however, you should mirror the terms that your bereaved client says.

If they say they lost their husband, then you mirror that, but if they don't, then you say, "How are you dealing with the death of your husband? How are you dealing with the death of John?" Overall, we want to put this into practice. These are fundamentals we practice over and over and over. We roleplay. We script practice. The language will start to become natural, automatic, and authentic.

I'm sure many of you have had some training on what not to say. Here is what you should never say. I've put these into four categories; justifying, dismissive, manipulation, and my favorite, the takeover artist, who wants to make it all about them. What these statements are called is "disenfranchised grief." This is a type of grief and loss that isn't validated. It's not recognized, and it's not acknowledged, so there is no connection. It's a disconnect. If I had a dollar for every time somebody said these statements to me – and they still do say them to me – I'd be taking my financial advisor on a trip on a yacht somewhere in the south of France. Let's look at some of these.

- **Justifying**: "Well, at least they didn't have to suffer. It's God's plan." What they're saying is that your grief doesn't matter, and we're just going to justify that it doesn't, and I don't want to continue to talk about it.
- **Dismissive**: "You'll be fine. You're young. You'll move on".
- **Manipulative:** "You really should get back out there again." Raise your hand if you like to be told what to do. I don't know anybody who does.
- The **Takeover Artists** make it about them. Some of the things that were said to me I can't even believe: "Well, my cat died. I know exactly how you feel." Or, "You know, I bet you'll go back to Montana, back where you grew up," or, "You're young. You'll get married again. Let me set you up." You'd be surprised at what people say.

This might seem out of the ordinary in a financial, professional setting. However, we get nervous and don't know what to say, so we revert back to maybe things that we heard or what was said to us.

What are things we can say? I love this quote by Brene Brown. "Connection is the energy that is created between two people when they feel seen, heard, and valued." Those three words, you're going to hear a lot from me, seen, heard, and valued. We want to make a connection. Communication is one thing, but we want to think about how it's landing. We've got to stick the landing here.

Some engaging questions:

- I can't imagine your suffering.
- Can I just sit with you?
- Do you want space or more people around you?
- What has your friend and family support been for you?

Do you see how all these questions are leading into a conversation? I want the conversation to continue because, during that first month, there are some things financially that will need to get done. There are forms to be completed, but if you have not engaged and connected first, those will be tasks that are not going to be done easily.

Be sure that your statements validate, respect, and honor the deceased person. For me, it's been 15 years. I never ever get tired of somebody saying my husband's name or telling me a story or a memory that they had of him.

Use the name in their statement or question. Use the terms death, died, deceased, accident, and cancer, but mirror theirs if they don't use them. You'll want to prepare what you're going to say before meeting with them. When you go to the funeral, the service, the memorial service, you need to have something prepared that you know you're going to say. It cannot be about you being an advisor or any decisions that need to be made. It needs to be a human connection so that they feel seen, heard, and valued.

Action

The second in our CARE acronym is Action. What do you do? What type of help beyond the numbers can you provide because if you can do more than what you're truly paid to do, in the long run, you will reap those benefits?

There are so many tasks to be done that it is overwhelming from a widow's perspective. Let's talk about a few of the immediate things, such as your first contact. I encourage all of you to be reading the bereavement and obituaries of your local paper. You need to know your community because you need to make that call. When you know a client has passed away, their spouse has passed away, you call immediately. They might not pick up, but you call, leave a message, and make that contact. Yes, you go to the memorial service. Yes, have something prepared.

That first office visit, we want to set them up in a place where it's a comfortable environment. I believe that widows shouldn't be kept waiting. That first time they come in, make sure that your team gets them right back to you as soon as possible. We don't want to have to tell our story to three different people before we meet with you. It's hard enough. We want to set up and break down as many barriers as we can in the office visit. Lots of caring acts and small gestures.

What do you send? Typically, it's flowers, but the better you know your clients, you will know what they will need. Flowers aren't always the best option. Specifically, there are some religions out there where that is not a respectful thing to send, so you want to be aware of your client. There are so many other things and resources to send right now. How about donating in that person's name?

If they have kids in school, donate to the high school. Throughout the year, those small gestures matter, specifically with women, specifically with widows. Which dates and holidays do you need to reach out?

I remember getting a birthday card for my late husband from an insurance professional two years after he died. This just shouldn't happen, so we want to keep those calendars, maybe the first anniversary, the holidays, December – those are really tough times for widows.

They're overwhelmed. Help them organize tasks and paperwork. Offer your help. There should be things that you have in place right now that are now, soon, and later of financial tasks. Do you have priorities set up with your firm or set up with a widow packet or widow checklist of what needs to be done that first week, month, and so on? You should be a part of helping them do that, even if you feel them out yourself.

Widows don't want to be handed a long handbook. With the organization of tasks and paperwork, it's important that we don't overwhelm them with the financial picture because grief fog, it's a real thing. The number one question that new widows want to know is cash flow. They want to know if they will be okay and how the cash flow is going to work the first year. Any financial decisions beyond that first month, be more of the decision partner them.

Don't make long-term decisions because, with the grief fog, they're going to forget it. As a widow, your memory lapses. You don't remember what they say. You're forgetful. It's a real thing. Sometimes they call it grief fog, widow brain, or widow fog.

Brian Korb focuses on widows and financial advisors. He provides five main tips that he came out with when he interviewed widows and financial advisors.

1. **Communicate well**. You need to learn to communicate confidently when talking with widows, thus the reason for grief literacy.
2. **Provide for their current needs**. We've talked about cash flow. Make sure they are okay that first month.
3. **Be a decision partner.** Widows go into decision fatigue. When you think about it, how many decisions do you make in a day? How often do you bounce them off someone else? When you're a widow, you don't have that privilege anymore. You're doing it all on your own. Shift from advisor to guide, partner, and listener and be that back-and-forth to bounce ideas.
4. **Prepare for their unique future**. This is really important. It goes back to when I say the word widow, we have this connotation of just an elderly grandma. Your women widow clients could be in their 30s with children. They could have college-age children. They could be a person approaching Social Security retirement age. There will be a different context and scenario, so make sure that this is not the Amazon shopping, one-size-fits-all.
5. **Provide them with some support services**. What do you have currently with your company in grief resources? Are there some documents that they could read? Is there a handbook of managing grief that first year? Are there resources or recommendations for support groups in this area? These are things that you could put in place now.

Relationship

The third in our CARE acronym is Relationship, or what you build. With relationship, rapport, respect, you will have referrals for your lifetime. Widows want you to know them, and they really want to know you, so how do you keep a professional relationship yet still have personal conversations?

One of the things that you need to do with all your women clients right now is to create a better client profile. I can't even tell you how often my advisor or other people that I dealt with first year kept on asking me the names of my children, how old they were, or mixing it up and saying, "How are your two girls," and me having to repeat that no, I have five children, three girls, and two boys. If you make a better client profile, you can have conversations with these people upfront before you need it.

You should know where they grew up. You should know if there are family in the area, what groups they might belong to. What's their lifestyle like? Do they like to travel? The more we know about our clients when you're a financial advisor, the better you can relate to them when a relationship is what's truly needed.

We all love a recipe from scratch, right? It usually tastes pretty good, but this is not when you can start from scratch with a new window. They do not want to build a relationship with you during grief, so we want to front-load this with every woman widow client you have.

Overall, remember that the death of their spouse does not define these people. There's so much more than this, and they need to be understood and valued and respected because, bottom line, women are very relationship driven. They're conversational-driven. They go by word-of-mouth of their friends. They're very tribal. They take recommendations from friends. We want to make sure that you build this relationship with them before they become a bereaved client.

Here are some ways to accept that widows are your current and your future client, so you start to relate to them better. I'm involved in many widow's and Facebook groups, and I sometimes poll 5,000 – 10,000 widows. I ask them what an advisor or financial professional said to them. Some of their responses are, "I hardly knew them. They mostly talked to my husband." Or "I just couldn't relate to them because they were talking about rates of return and financial terms that I didn't understand."

These are four things you can start doing now.

1. Always use the term "my clients," not "this is my client and his wife."
2. Initially, talk about basic financial terms without sounding condescending. You want to gauge where they are and meet them where they are. I didn't know any financial terms before my husband's death. I trusted him to work with our financial advisor. I didn't have a strong desire to do it until I needed to. It's very, very intimidating, the financial literacy and not understanding the terms.
3. When you meet, meet with both partners together.
4. You should be asking the partner questions, joint goals, individual goals; you should know both spouses. Sometimes, it isn't feasible with our busy schedules, but it should be an objective to get to know both as best you can.

Empower

The fourth component of CARE is Empower. That's a word you see almost everywhere right now. I think about it in these terms. It's empowering to protect because one of your main jobs in being a financial advisor to a widow is to protect them and teach them how to move forward. Here's a quote by Ann Heath, and she says it best: "Grief is in two parts. The first is loss. The second is remaking a life." You have the distinct privilege of helping widows remake their lives.

These are proven ways that can help you.

- Financial education – this can be a big part of your business. Short workshops, easy take-home materials, opportunities to engage with other women widows; get all your women clients together.
- Introduce your widows to other support groups.
- Get them some grief literature.
- Provide them with resources moving forward. They're going to have new professionals, new people that they're going to have to deal with on their own.

I was always so afraid to call somebody to repair something in my home because I didn't want anybody to know I was alone with children. There are so many opportunities for you to protect and educate these widow clients because they get taken advantage of quite a bit.

Initially, they may need a little handholding. I always think of the analogy of a kindergartener. When you take a kindergartener to school for the very first day, you've got them all ready, you've prepared them, and they're ready to go. Well, you wouldn't just drop them off in the parking lot and say, "Okay, good luck. Hope it goes well." We have to take that approach with new widows. They are a very fragile population, and they get taken advantage of, so what do you currently have in place? Do you have some resources in place for them? Do you have some referrals in the community that you could send them? We want to start working towards that.

Here are four takeaways based on that information. These are things they prefer.

1. Widows want frequent, consistent, and shorter-duration workshops. Have you ever taken that university class where it's like, oh, it was a three-hour lecture? We don't want this. Short, frequent, to-the-point; give me a one-pager to take home.
2. A bespoke program – we want the unique experience tailored to them. You may want to have some programs or workshops for widows who are retiring or widows who have children in school. I remember my financial advisor helping me fill out forms for college entrances, the FAFSA forms. That was a huge help. I didn't have any clue how to do this. We want to make sure that whatever programs you're doing, you're tailoring it to their needs and age.
3. You want to create community. A widow's workshop should promote social interaction, active participation, group participation, and a little F-U-N. Widows are smart. They are witty. They relate to one another, and they want to have fun. So, the more you can do this, the more open and inclusive this will be for your widow clients.
4. The last thing is the take-home materials. Whatever you have in place now or don't, keep it short and sweet. Make it very easy and personalized for their current and future needs.

Key Takeaways

We've gone over much information. There are so many takeaways that we can think about, but jot down three things that you could do today for widows. Also, jot down two statements that you could say to a brand-new widow because you'll want to establish yourself as a financial professional who advocates for widows.

1. I want you to shout it from the rooftops that you work with widows. Become the expert. People will come to you because, as we talked about, there's going to be a volume of widows coming your way. We want to talk about understanding the unique financial needs of widows. Loss, death, grief are monumental things. You've experienced, and we've watched this last couple of years with COVID, so much death, so much loss, so much grief. It's incredibly sad, but when it's a widow, it's financial.
2. Can you imagine giving half of your income away tomorrow? Could you survive and have the lifestyle that you want with half of what you have currently? That's what they're experiencing, and there is so much fear and guilt around money that it's hard for them to want to keep it and invest it. Many of them just want to get rid of it because it's associated with some different emotions. It came with such a high price.
3. You'll want to recognize the impact of wealth, the wealth transfer. This is going to be the most significant wealth transfer in our lifetime. Let's get ahead of it. Can you get ahead of the curve? That Baby Boomer generation, sadly enough, is going to be a Death Boom, and it's beginning.
4. Practice, practice, practice; I want you to practice grief communication skills, what you say, your responses, what questions you ask, your body language, making sure those skills build connection, continuing the conversation. That's the goal.
5. Create better opportunities to engage your current women widow clients. You've heard me say it. Your current women clients will be your future widow clients. The data isn't lying, and the trends aren't reversing, so what are you doing now? Are you doing workshops? Are you providing some resources, some pamphlets, and some things that could help support them? Put those in place now so when the fire drill happens, you'll have them in place.
6. Start applying best practices and delivery methods. In your events, they want shorter workshops. They want them more frequently. They want them to be social. They want to have some fun in these workshops. They want to engage with other women and widows, and they want it specific to their age group, to their needs. When you are a 32-year-old widow or a 67-year-old widow, there are very different needs financially.
7. Provide community resources for widow clients. Get to know what's in your community. Who can you recommend, grief counselors, grief groups, what people can you recommend for windows? I call it "When a widow walks on a car lot." I had no clue how to buy a car. I got taken advantage of; I paid too much. I knew I was getting taken advantage of. I just was too tired or exhausted to deal with it. That's the reality of a widow.
8. Lastly, you'll want to educate your team with grief literacy workshops and training sessions. We really must practice this. It's like a piano recital. It's rehearsing it, script practice, knowing the dos and don'ts. The more you can do this, the more fluent you will become in grief literacy. Bottom line: when you care beyond their portfolio, don't be surprised if you become a better parent, partner, and community member, basically a better human.

About Kathi Balasek, MA, Grief Communication Consultant for Financial Professionals

Financial Advisors: Engaging the Bereaved Client – Kathy Balasek

Kathi Balasek, MA, is an Empathy and Grief Communication Corporate Coach and Consultant, University Lecturer, Speaker, Educator and Podcast Host who is on a mission to cultivate a grief literate culture by improving the language of loss with clients. She is currently a lecturer at California State University where she trains future teachers.

After 20+ years of teaching and coaching, she has found that the art of engaging bereaved clients hinges on financial advisors' competence and confidence in grief conversations. She knows that connection, empathy and meeting people where they are is what builds relationships.

Kathi is a widow advocate and teaches advisors necessary skills to serve this vulnerable yet growing population in an authentic, yet professional way.

We will ALL experience grief and loss. Most people were never really taught how to communicate with people going through grief and loss.

This became very evident when she became a young widow raising five children. She had to re-learn how to navigate the world not only for her family but for her future. She learned very quickly that what people do and say will either help or hurt, connect or disconnect.

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Social Security WEP: FOMO, IDK, or LOL??

Michael Wilson, CFP®, CRC®, RICP®, Integrity Financial Planning

Editor's note: This article is an adaptation of the live webinar delivered by Michael Wilson in 2021 His comments have been edited for clarity and length.

You can read the summary article here as part of the 3rd Qtr 2021 Retirement InSight and Trends Newsletter, worth 1.0 CE when read in its entirety (after passing the online quiz.)

You may also choose to take the full length course "Social Security WEP: FOMO, IDK, or LOL?? for 1.0 hour continuing education (CE) credit.

By Michael Wilson, CFP®, CRC®, RICP®, Integrity Financial Planning

When it comes to WEP and Social Security, your workers, your employees, or you – if you work for a Social Security exempt agency – may have a fear of WEP (the Windfall Elimination Provision).

FOMO means Fear of Missing Out. IDK stands for I Don't Know. And then there's LOL. I think sometimes we could mean laugh out loud, or lots of love. In this case, I think it means lots of luck in terms of, "Can I understand how the WEP works?"

If it is challenging for us who are in the industry to understand the WEP, you can imagine how challenging it is for the average worker who is working for a Social Security exempt agency. How in the world are they going to understand it?

Social Security 101

The word "pension" in Social Security language sometimes is different than what we think in the retirement planning industry. Usually, when we think about a pension, we think lifetime paycheck. Even if someone says, "Well, I am just going to take a lump sum payout, and maybe roll my pension over to an IRA. Therefore, I do not have a 'pension' from the traditional mindset." Social Security is still going to say, "Wait a minute. What about that lump sum payment? That is still a pension even though it is not being paid out for the rest of your life, and even though you rolled it to an IRA." So, really when you think about this from Social Security's perspective, pension in the traditional sense means pension.

Also, let us say you work for a state agency, city, county, or local government agency that only offers a defined contribution plan as your primary benefit. This is considered "a pension" from Social Security's perspective. So, the term "pension" in Social Security's world means an employer-paid retirement benefit like a 401(k), 457, 403(b), or traditional pension.

If a worker pays into Social Security as shown on their paystub, they are paying FICA taxes. If they have paid in for at least ten years, they have earned 40 credits, so they are now eligible for some Social Security retirement benefit. In 2021, if you were earning at least $1,470 a quarter or roughly $6,000 over the course of this year, you would earn four Social Security work credits for the year.

Social Security calculates your worker benefit based on your highest 35 years of earnings. This is very different from the way pensions are calculated. Many pensions may look at your high three years, or high five years, of earnings to calculate your benefit. This can be an eye-opener for members in your retirement systems who do not understand how Social Security works.

Remember that Social Security started in 1935 as a welfare program to provide more income for lower-income workers and less income for higher-income workers. It was not designed to be a primary retirement benefit. It was designed to be a supplement to provide a safety net. The Windfall Elimination Provision addresses the workers who look like they are low income if they worked for an employer who doesn't withhold Social Security taxes from salaries.

Let's say you have a worker who only has 15 years of Social Security earnings and has worked the rest of their career for a county that doesn't participate in Social Security. They are going to look like a low-income person to the Social Security system. If you only have 15 years of earnings, Social Security averages in 20 years of zeros. Divide that all by 35, and that is going to pretty much look like a low-income benefit.

Now, some good news. The WEP does not impact the benefit provided by your agency; it only affects the Social Security benefit itself. In contrast to the high 35 years of income used by Social Security to calculate a benefit, the WEP is based on the number of years of "substantial earnings." Each year, Social Security defines what substantial earnings are for that particular year.

Year	Substantial earnings	Year	Substantial earnings	Year	Substantial earnings
1937–1954	$900	1989	$8,925	2013	$21,075
1955–1958	$1,050	1990	$9,525	2014	$21,750
1959–1965	$1,200	1991	$9,900	2015-2016	$22,050
1966–1967	$1,650	1992	$10,350	2017	$23,625
1968–1971	$1,950	1993	$10,725	2018	$23,850
1972	$2,250	1994	$11,250	2019	$24,675
1973	$2,700	1995	$11,325	2020	$25,575
1974	$3,300	1996	$11,625	2021	$26,550
1975	$3,525	1997	$12,150		
1976	$3,825	1998	$12,675		
1977	$4,125	1999	$13,425		
1978	$4,425	2000	$14,175		
1979	$4,725	2001	$14,925		
1980	$5,100	2002	$15,750		
1981	$5,550	2003	$16,125		
1982	$6,075	2004	$16,275		
1983	$6,675	2005	$16,725		
1984	$7,050	2006	$17,475		
1985	$7,425	2007	$18,150		
1986	$7,875	2008	$18,975		
1987	$8,175	2009–2011	$19,800		
1988	$8,400	2012	$20,475		

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

For instance, in 2021, to have a year of substantial earnings, you would have had to have earned more than $26,550 in a job that pays into Social Security or where you are paying FICA taxes. 2020 it was roughly $1,000 less. The same goes for the year 2019. They adjust the dollar amount each year for inflation.

To have a year of substantial earnings, you must meet that specific year's minimum in a job paying into the Social Security system. Note that "substantial earnings" are not the same as the earnings credit. Earnings credit is relatively small to qualify for, let us say, four quarters of earnings credit. Substantial earnings are very, very different; a different dollar amount as you see listed above.

Where can you find how much your earnings were for a particular year? Your Social Security statement. Here you can see for each year what your income was for that particular year, as reported by an employer. This is going to match whatever is on that member or that worker's W-2 statement. For instance, someone who has worked from 1976 up through 2002 has 27 years of paying into Social Security. 2003 came along, and suddenly there are no additional taxed Social Security Earnings recorded.

Your Earnings Record

Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
1976	226	226
1977	592	592
1978	1,144	1,144
1979	2,116	2,116
1980	3,103	3,103
1981	4,125	4,125
1982	5,272	5,272
1983	6,926	6,926
1984	8,692	8,692
1985	10,210	10,210
1986	11,555	11,555
1987	13,305	13,305
1988	14,916	14,916
1989	16,369	16,369
1990	17,925	17,925
1991	19,300	19,300
1992	20,945	20,945
1993	21,695	21,695
1994	22,816	22,816
1995	24,225	24,225
1996	25,858	25,858
1997	27,806	27,806
1998	29,642	29,642
1999	31,658	31,658
2000	33,767	33,767

Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
2001	34,915	34,915
2002	35,591	35,591
2003	36,717	36,717
2004	38,686	38,686
2005	40,325	40,325
2006	42,315	42,315
2007	44,346	44,346
2008	45,437	45,437
2009	44,784	44,784
2010	45,847	45,847
2011	47,146	47,146
2012	48,349	48,349
2013	48,606	48,606
2014	49,860	49,860
2015	50,850	50,850
2016	50,158	50,158
2017	50,440	50,440
2018	50,653	50,653
2019	Not yet recorded	

When does WEP Apply?

If you only have wages from jobs you have paid into Social Security, the WEP does not apply. Typically, nearly all private-sector jobs, most federal jobs, some state and local government jobs pay into Social Security. It depends on the state and local government and whether they pay into Social Security or not.

Again, good news. Folks who have paid their entire careers into the Social Security system by paying FICA taxes have no worries whatsoever as the WEP is not going to apply to them whatsoever. It gets tricky when someone has some years where they paid into Social Security, but other years where they have not. It depends, again, on whether the agency is Social Security exempt. It also depends on the number of years of substantial earnings. Once you have 30 or more years of substantial earnings, the WEP does not apply whatsoever.

So, let us look and compare. Let us look at an average calculation for a worker's Social Security benefit, and then we will look at how the WEP might impact it. Social Security identifies your high 35 years of earnings to calculate AIME or your average indexed monthly earnings. There are three what are called bend points, or three buckets if you will, the Social Security formula uses to calculate the worker benefit. For 2021, a worker gets 90 percent of their first $996 of monthly earnings. If they have averaged, say $4,000 or $5,000 a month, they receive 32 percent of up to the next $6,002 in monthly earnings. If they have earnings beyond that, such as average monthly earnings of $8,000, they get 15 percent of the remainder past $6,002. Add all that up, and that is the worker Social Security benefit.

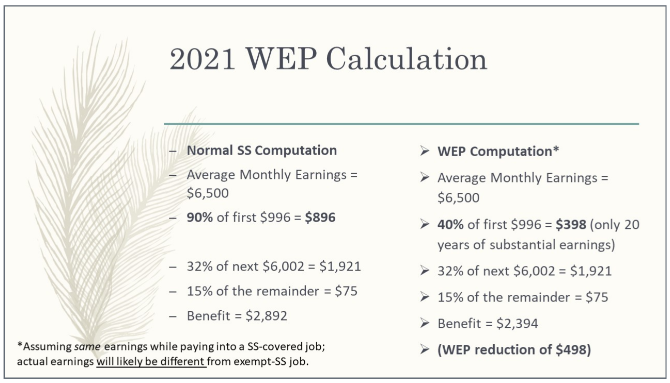
The WEP comes into play on that first bucket or the first $996 of earnings. After that, the dollars are treated the same, just like someone who has paid into Social Security their entire career. What determines whether someone is going to receive 40 percent or 90 percent of that first $996? It is their years of substantial earnings. Let's say someone has only 12, or 14, or 17 years of substantial earnings. They will only receive 40 percent of that first $996 in Social Security benefits. The more years of substantial earnings you have, the smaller the WEP reduction is going to be.

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

Once you get to the 30-year mark of substantial earnings, there is no more reduction as far as the WEP is concerned. You get treated just the same as someone who has paid into Social Security their entire career.

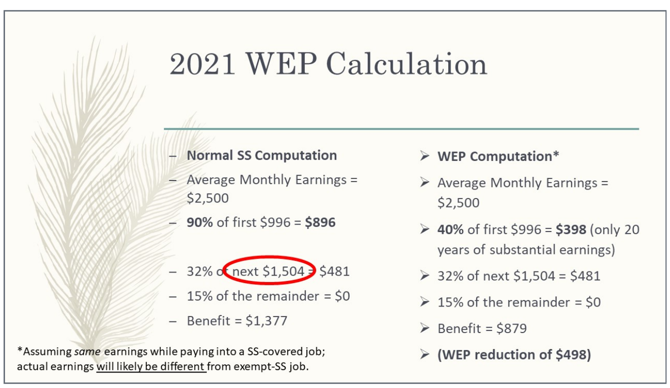
How is the WEP Social Security Benefit Reduction Calculated?

Let's look at an example of someone who has average monthly earnings of $6,500 and has 30 or more years of substantial earnings. To calculate their Social Security benefit, we start with 90 percent of their first $996 in average monthly earnings, or $896. They will also receive 32 percent of the next $6,000, and then 15 percent of the remainder, for a monthly benefit of almost $2,900.



Let's say instead of over 30 years of substantial earnings, someone has only 20 years. The significant impact is on that first bucket or the first $996. Instead of receiving $896 (90 percent of $996, the full benefit Social Security worker would receive for the first bucket), they only get $398, or 40 percent from that first bucket. After that, they are treated just like everybody else in the Social Security system. The bottom-line benefit for the partially exempt worker here is around $2,400. The maximum monthly WEP reduction in 2021 is $498 a month or roughly $6,000 a year.

What about a lower-income worker whose average monthly earnings are only $2,500 a month or roughly $30,000 a year. Same formula, right? They received 90 percent of the first $996 and 32 percent of the next $1,504, capping them at monthly earnings of $2,500, or $481.



Suppose they worked part of their career for a Social Security exempt agency and had only 10, 15, or 20 years of paying into Social Security with substantial earnings. In that case, the dollar reduction is still the same, or $398. Their WEP reduced benefit is now $879. Instead of getting maybe almost $1,400 in Social Security monthly benefit, they are down to $879.

The longer someone waits to start Social Security, the bigger their benefit is in dollar terms. This also means that the Windfall Elimination Provision reduction might be higher in terms of dollar amounts. These will offset each other to some degree.

What if you want some information on this that you can share with your agency employees if you are the employer? Or that you can look at yourself? There is an excellent little two-page publication on the Social Security website. They update it every year because they list the substantial earnings amount for each year. There is also a WEP calculator that is probably the best tool to estimate the WEP impact.

Limits to the Windfall Elimination Provision (WEP) Reduction

The maximum WEP reduction is limited, though, to a maximum of one-half of your pension from what is called "non-covered employment." Non-covered employment means, "I am working for a Social Security exempt agency where I receive a pension, 401(k) or other retirement benefit."

Let's say someone worked just a few years for a Social Security exempt agency. For most of their career, they were paying into Social Security. Maybe they have a $400 a month pension coming from those few years of working for a Social Security exempt agency. Instead of the maximum $498 a month reduction, the WEP reduction is limited to one-half of their $400 monthly pension, or $200.

When will Social Security know that you had exempt earnings working for a Social Security exempt agency? Not until you file for that Social Security benefit. Social Security is going to assume you have not been working for an exempt agency. If it turns out you have, the WEP will apply. You do not want to rely on your Social Security statement as the benefit will probably be overstated. If you want a rough ballpark estimate, knock the benefit down $500 a month. However, to be more precise, use the WEP calculator and the SSA.gov website.

What Can I Do to Minimize the Windfall Elimination Provision (WEP)?

Let's say you have a supplemental plan such as a 457, 403(b), or 401(k) from non-covered employment. It is not the primary benefit from that agency, but maybe it is a voluntary option where either the employer could put money in, or the employee could put money in. The WEP calculation will not include your supplemental plan if it only contains your employee contributions. Say your employer puts matching money in a 401(k) on your behalf instead of paying into Social Security. Those employer contributions will be counted as a pension, as far as the WEP is concerned.

Theoretically, it could make the WEP reduction larger as well. So, word to the wise: If your employer is putting money voluntarily for you into a 401(k), if you have it, then make your employee contributions to the 457 plan. As long as that 457 or another plan has employee contributions purely, it is invisible as far as the WEP calculation is concerned.

Now, the question sometimes comes up: My employer does match to a 401(k) plan. I also have a 457 plan. Should I put money in the 457 and give up that match? I would say no. Any time you get an employer match, depending on what the match is – 50 percent or 100 percent – that is free money from the employer. You do not want to give that up. Even if it does result in getting dinged by the WEP a little bit more, mathematically, in nearly all cases, if your employer is offering a match contribution, take advantage of it. It may ding you a bit in terms of the WEP. Overall dollars, you will come out ahead in the long run by taking advantage of those matching contributions.

What else can you do to minimize the WEP? You have probably already drawn some conclusions yourself. Just work more years in a job that pays FICA, pays into Social Security, and earns enough each year to qualify as substantial earnings.

That might be easier said than done. For instance, say you are a full-time worker at a Social Security exempt agency. Maybe you are in a school system that does not pay into Social Security, and you are a full-time teacher. You must earn more than $26,550 in substantial earnings in 2021 during the year or maybe during the summer when you are off. Earning enough to count as a substantial year sounds like a great idea, but it is a high hurdle to overcome.

Does the Windfall Elimination Provision (WEP) Affect Spousal Social Security Benefits?

WEP itself does not affect a worker's spouse's own Social Security benefit. Let's say I am married and work a Social Security exempt agency. I have worked some years in the private sector, some years for this exempt agency. The WEP affects my Social Security benefit. However, if my wife has worked her entire career in the private sector, it has no impact on her own Social Security benefit. The WEP only affects me directly when I have years of income earned in Social Security and out of Social Security.

Sometimes people think they'll get around the WEP if they don't take their pension, but instead a lump sum payout, so now they don't have a 'pension.' Nope. Social Security is on to that game. They will consider that lump sum amount and make an estimate of your life expectancy and what the monthly equivalent benefit would be. That is what they are going to call your "pension."

As far as a spouse who has paid into Social Security in the private sector their entire lives, they can start their own Social Security benefit when they retire. If a spouse never worked outside the home, they would be entitled to the spousal benefit, which is one-half of mine at my full retirement age. This is a whole other issue as well.

Let us assume, to keep things simple, that my benefit is $2,000. My spouse would get half, or $1,000. If I worked part of my working years paying into Social Security and part of years not, the WEP affects my worker benefit, reducing my Social Security benefit. When my spouse takes a spousal benefit, their benefit is now going to be reduced as well.

How do things change when I pass away? Logically, you might think, "Well, the WEP was reduced for the spousal benefit while I was alive. Wouldn't the same happen to the survivor benefit?" As it turns out, Social Security essentially ignores the WEP when this happens. Let's say I collect a $1,502 per month WEP-reduced benefit, where the benefit should be $2,000. Instead of my spouse receiving just a $1,502 survivor benefit when I die, they receive the total $2,000 a month benefit.

Other Earnings Situations

The other question that comes up sometimes is, "What if I do not have enough earnings in a particular year to count as substantial earnings? Was it a waste? It did not count; it did not help me reduce the WEP." What happens to those dollars that I paid into Social Security, say on a part-time basis? Assume we have a schoolteacher who works nine months out of the year for an exempt agency that does not pay into Social Security. Before becoming a teacher, this person worked 13 years and had substantial earnings working in the private sector. They now have a side gig doing construction in the summer when they have June, July, part of August off and earn $15,000 a year. This $15,000 is way below the $26,550 for substantial earnings in 2021, which did not help as far as the WEP is concerned. What happens to those Social Security dollars based on that $15,000 income? Do they disappear? Does that go into the system and benefit someone else?

Remember, Social Security looks at your high 35 years earnings when they calculate your Social Security benefit. In this person's case, they already had 13 years of substantial earnings. Now they have a year with $15,000 of earnings, eliminating a zero from their 35-year calculation. The $15,000 easily qualifies for quarterly earnings of credit. It has boosted their Social Security benefit ultimately. It is just not going to help them when it comes to reducing the WEP adjustment itself.

Let's say we have a Social Security exempt worker. They have worked their entire career for an exempt agency. They have a stay-at-home spouse who has never worked outside the home. There is no WEP. Why not? They never paid into Social Security, so they will not be entitled to a Social Security benefit.

Key Takeaways

1. The WEP could affect the worker's own Social Security benefit. It does not affect a spouse's worker benefit. It is not going to reduce the agency's benefit.
2. To minimize the WEP, work more years in a job where you pay into Social Security. Get those substantial earnings.
3. The worst dollar reduction in 2021 Social Security benefit 2021 is $498 per month.
4. If you have not yet seen it, Social Security is transitioning to newer statements. Historically, they showed three dollar amounts for three ages: age 62, someone's full retirement age, and then age 70. The new statement shows benefits for ages 62 through 70. I have been in a few counseling situations with folks who have received these new statements. It has been fascinating to hear their reaction to the new layout. From a behavioral finance standpoint, it will be interesting to see if people change their behavior by waiting to start their Social Security benefit because they know the year-by-year dollar increment for waiting.

Social Security WEP: FOMO, IDK, or LOL?? – Michael Wilson

About Michael Wilson, CFP®, CRC®, RICP®, Integrity Financial Planning

Mike Wilson is the owner and founder of Integrity Financial Planning, which specializes in personal retirement planning. In one form or another, Mike has been in the training and financial services industry for 30 years. He earned his MBA in Finance from Baylor University and is a Certified Financial Planer®, Certified Retirement Counselor® and a Retirement Income Certified Professional®.

Mike and his wife Nancy reside in Salt Lake City, where he enjoys hiking and mountain biking whenever possible.

Posts .

The Psychology of Retirement

Robert Laura, CKA, AAMS, CPRC, CMFC, CRPC

Editor's note: This article is an adaptation of the live webinar delivered by Robert Laura in 2021. His comments have been edited for clarity and length.

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By Robert Laura, CKA, AAMS, CPRC, CMFC, CRPC

Many people perceive retirement as nothing but addition, as gains, as positive things that they will get. People don't realize that problems can be multiplied simply because you have more time and fewer distractions.

The challenge with traditional retirement planning is that we don't drill down and look at the person. We spend all our time on the calculations. To help people live meaningful lives and make a successful transition to retirement, we must look at how they're thinking and behaving.

We need to help people avoid wasting the first few years of retirement, trying to figure it out on their own. This is all too often what happens as people are in this transition; they kind of fumble around and what I call "suffer in silence." The reason that happens is that there's a stigma associated with retirement. You have enough money not to work and all the time to do whatever you want. And so, you can't tell anybody that retirement's not going well. If it's not going well, what's the matter with you, right? Ninety percent of what goes on in retirement is like an iceberg; it's below the surface. We want to help people avoid that and gain basic strategies to fight the dark side every time.

There's a perception that there's a hard side and a soft side of retirement and that the hard side of the dollars and cents is what matters. However, over 80 percent of our retirement decisions and success in retirement have nothing to do with money.

Brainwashed About Retirement

Traditional retirement planning is fatally flawed. People have been brainwashed for the last 20, 30, or 40 years. It's portrayed as not running out of money, not taking Social Security at the wrong time, and not being a burden on other people. This makes the process complex. Many people work with a financial professional because it's complex, overwhelming, and stressful.

People also assume that the personal side will fall into place, that it will magically work out like, "Hey, we go on vacation, we do some things, we miss some things, but it all works out okay." That's not always the case. People also assume that work is bad and leisure is good. They assume that with more time and fewer obligations, it's just going to be the best thing ever; that's what they've always wanted. That's not the case. We don't want to talk about what people are going to lose compared to what they think they're going to gain.

Another flawed assumption is that couples like and know each other. Often couples aren't even on the same page, let alone in the same book. Both individuals in that couple think the other assumes the same for retirement. Guess when they most of the time figure it out? After they're already spending 24 hours a day, seven days a week. It's fertile ground for arguments and is a big reason we continue to see increases in silver divorce.

Another fatal flaw or assumption is that having more time means less stress. When people understand this, they will be able to make a better transition because we can establish their mindset; we can look at their behaviors and help them see them from a fresh perspective. Often, they head into the retirement decision without the whole picture. We need to break it down and share the psychology or be sure the mental, physical, and spiritual aspects are included.

How to Win at Retirement

One of my favorite questions to ask people is, "How do you win that retirement?" Think about someone you know who's a successful retiree. What makes them successful? It's a powerful question.

There are six components to making a successful transition to retirement. It requires planning ways to:

1. Replace your work ability

2. Fill your time with meaningful tasks
3. Stay connected and relevant
4. Keep mentally and physically fit,
5. Have a way to express your spiritual beliefs, whatever they may be, and
6. Help you feel financially secure.

A person can likely check off four or five or six of these boxes. But often, when people make the transition to retirement, they've only got one or two boxes checked, and they can't figure out where the voids are.

New retirees can waste two to three years trying to figure it out. Just like we tell people that you need to have a written financial plan for your retirement income, how long it's going to last, and how much they can take out, we need a written plan for the non-financial aspects as well. People need to understand how to win at retirement. They don't have that context. They don't know. They just kind of float around and, again, do mundane tasks. We think that being busy is better, and that's not always the best way to live and make that transition to retirement. Psychology is the study of the mind and behavior. If we're going to change people's mindsets, perceptions and even influence their behavior in the future, we have to get rid of some old and outdated stuff.

Out-of-Date Language

There is out-of-date language that we must get rid of in retirement today. Ten thousand people retire every day, right? Wrong. Ten thousand people don't retire every day. Ten thousand people turn age 65. The new approach should state that between 4,000 to 5,000 people out of 10,000 who reach age 65 will fail at retirement. It's a very different conversation.

Why are they failing at retirement? Because they don't have a plan for the non-financial aspects, they're not prepared for what takes place beyond the dollars and cents. So, they struggle. Guess what? They can't tell anyone. We've got to change the conversation from things people already know to things they don't know that add value and stimulate conversation.

Another one that shows up often is that people prefer to plan a two-week vacation over planning their retirement. Sixty percent of people who escaped from prison are caught within the first 24 hours, and 80 percent of people who escaped are caught within the first week. If you think about it, people who escaped from prison spent most of their time figuring out how to get out, and once they got out, they didn't know what to do. They didn't have the tools, resources, or support. That's the same thing with retirement. People are so focused on getting out of the workplace that they don't know what to do when they're in this transition. This is a much more valuable conversation than just saying, "Hey, did you know people prefer to plan a two-week vacation versus their retirement." This concept doesn't help them.

There's something called the Holmes Rahe Stress Inventory. Two psychologists looked at 43 of life's most stressful events – events that can make people physically sick. Guess what Number 10 is on the list? Retirement. If you look at the complete list of 43 events, 20 of them intersect with a person's life at, near, or in retirement. That's overwhelming. And so, we've got to look at retirement from a different perspective because there's a lot more to it than, "Hey, and you're 65 and got a million bucks; you're good to go."

The following out-of-date phrase we really must get rid of is, "You need to retire *to* something." Do you? You're essentially saying, "Hey, you should put off doing the stuff that's important to you and wait till you're retired to try to figure it out." Human behavior doesn't work like that. I can't tell you how many times in my workshops people say, "Oh, once I retire, I will work out every day, eat healthily, hang out with the grandkids, and play golf," and I want to say, no you are not.

First, we make our habits, and our habits make us. Taking your habits with you is ten times easier. So, it will be best if you retire *with* something. Don't put off your best life, don't put off getting healthy, and don't put off spending time with your family until you retire. Because when you get there, you may find that you can't. We've got to start changing that behavior now.

Another out-of-date belief is that retirement will make you happy. We got to quit being Pollyanna about retirement. It doesn't make you happy. Yes, it feels good at first, but it doesn't work like that. There's a dark side to retirement, depression, addiction, suicide. There are scary things that lie below the surface. Add now there's the pandemic and the isolation. These are massive factors that people aren't prepared for, and they're easy to fall into. If you think a stock market crash or inflation's a problem, try dealing with addiction or depression or even the loss of a loved one due to suicide because they lost purpose. It's scary stuff to which we must pay attention.

Another big mistake people make with retirement is they assume retirement means they don't have to work. That's not correct. It just reorients work. Yes, you don't have to go to work and deal with your boss, deadlines, or other work-related things. You do have to work on yourself, your connections, relationships, your mental and social wellbeing. It still takes work. Many times, these skills are rusty because you've been doing other things in the workplace. Retirement doesn't eliminate work; it just reorients it. People don't know that they need that context and awareness. It's like, "Oh gosh, I guess I never thought about it like that." And I think that's where the differentiation comes in. No matter what profession you're in, if you're adding value to people's lives and they experience these "aha" moments, you're getting results, and that's what gives you value.

And finally, a successful retirement isn't one without problems, but one in which you learned to overcome them. It's not going to be perfect. I think everyone assumes that when they've retired, they'll move to the beach, walk on the beach every day, work on their memoirs, i.e., what we see in commercials. That's technically not true. We send people out to retirement with these vague ideas and assumptions and instead should be asking, "Do you have role models, examples of a successful retirement?" This is the kind of information you can put into newsletters, articles, workshops, and general conversations.

The Tie-In with Positive Psychology

Martin Seligman, the president of the American Psychological Association late last century, challenged the group to start focusing on human flourishing rather than disease and deficiency. Walking backward, a lot of psychology work has focused on how we help someone who's at a negative four get to a negative two. There wasn't much research focused on, "How do we take someone who's operating at a level two or three and get to a level four or five?"

Seligman started identifying these principles of human flourishing and came up with the acronym PERMA to describe the principles of positive psychology.

- P is for positive emotions
- E is engagement
- R is for relationships
- M is for meaning, and
- A is for achievement.

We need to create environments where people can use and allow this method to foster, and that's not what's happening. Remember, how do you know you're winning at retirement? It's not only just replacing your work identity, but you stay relevant, connected mentally, physically active, express your spiritual beliefs and feel financially secure. These are underlying components of the PERMA model. This is where advisors have a huge opportunity.

We get some positive emotions from the workplace. When the workplace is removed, we need to know how to replace positive emotions. The same is with engagement. I love professional conversations and the people with whom I'm involved. It's engaging. If I don't have this, how am I going to replace it?

For example, one client really struggled with the transition, and he had just retired from a job where he had turned around an organization that had been in the red for ten years. Everything was going well, and he left. Well, he didn't have any other projects. He was moping around the house all day. He needed to set some goals for himself and to get motivated.

One thing that helps people successfully transition to retirement is to write down what a perfect day and a perfect week are for them. Most people can do the perfect day, right? Wake up, have coffee, read the newspaper, go for a walk, read a book, take a nap. It's simple, but when we apply this to seven days a week, Monday starts Tuesday, Wednesday, and Thursday.

Key Takeaways

- Traditional retirement planning is fatally flawed and needs to be revamped to include a focus on non-financial aspects. People really do need a written non-financial plan. It's the same reason why they do a financial plan. When you break stuff down, it does something different. It transitions, and it transfers people that give some things to think about, but also, to look back on. People need a written retirement plan to address the mental, social, physical, spiritual aspects of retirement. It's a huge thing.
- There are five things to do for a successful retirement transition. The plan should address the mental, social, physical, spiritual, and financial aspects of retirement. Most people have just the financial piece. It's essential to have all five pieces to be providing genuinely holistic or comprehensive retirement planning.
- Making a successful transition takes work, knowledge, skills, and a fresh mindset for clients to work through the challenges. It's about setting people up for when they get knocked down because it's going to happen. So instead of saying, "Retirement is going to be perfect, you're going to love this," say, "There are going to be some challenges, and when you have them, here are some resources."
- The other opportunity for all professionals is to expand your centers of influence. You should probably have a personal trainer, a nutritionist, a therapist, and just some other people in your Rolodex; that when people have a question or an issue or something comes up, you can refer them out to your professional. That's a big part of that holistic or comprehensive approach.

The Psychology of Retirement – Robert Laura, CKA, AAMS, CPRC, CMFC, CRPC

About Robert Laura, CKA, AAMS, CPRC, CMFC, CRPC, Retirement Activist, founder of RetirementProject.org and the Retirement Coaches Association

Robert Laura, CKA, AAMS, CPRC, CMFC, CRPC, is the Retirement Activist who is committed to changing the way people think about and prepare for every aspect of retirement. His nationally syndicated columns at Forbes.com and Financial Advisor magazine reflect his ground-breaking efforts to challenge the status quo of traditional retirement planning.

As a former social worker and certified personal trainer turned money manager and author, he has found that retirement is among the most fascinating, yet least understood, phases of life. Through interviews with celebrities, professional athletes, entertainers, leading experts, and his own clients, he's developed a powerful message to tackle the mental, social, spiritual, and financial aspects of retirement. His objective is simple: to help people create a no-regrets retirement plan.

As the RETIREMENT ACTIVIST, Robert runs the Certified Professional Retirement Coach Designation, founded RetirementProject.org and Retirement Coaches Association. He has authored Naked Retirement, Retirement Rx, and a number of guides to help individuals succeed in this next chapter of life. In addition to his own writings, he frequently appears in major business media such as Wall Street Journal, CNBC, and Investor's Business Daily, Yahoo Finance, The Street, and more.

Robert conducts training for other financial professionals, as well as workshops and webinars for individuals and couples, designed to help people prepare for every aspect of retirement. He has been speaking and teaching economic, investment, and retirement programs for nearly 20 years.

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