IS SEMI-RETIREMENT THE NEW RETIREMENT?

What does retirement look like for baby boomers? We speak to five financial planners about baby boomers and how they won't (or can't?) stop working.

By Mabel Ho

For most of us, steady work and a monthly salary for 35 years straight sets wheels in motion that cannot be abruptly halted. What happens when the appearance of a monthly income deposit into your bank account stops? This change – whether gradual or abrupt – is more than just a financial problem to address. It is psychological, emotional and practical as well.

With any new chapter in life, we can adapt and like many before us, we have the tools and tricks to navigate this monumental change.

Malaysia is an ageing nation, with the ageing population increasing each year. Those currently of retirement, or pre-retirement age – namely those born between 1943 and 1960, are known as the Baby Boomers. The population of those 65 years and above have increased from 6.7% in 2019 to 7.0% in 2020. Life expectancy has also increased in Malaysia, with women at 81.2 years compared to 78.4 years for men. This means that after retirement at 65, there is an expected 10 to 15 years of life left to live. In an ideal world, that would mean living, and not working… but what if they are living for work?

THE CURRENT LIVES OF BABY BOOMERS

Malaysians of retirement age range from those who are fully retired to semi-retired, as well as some who are still contractually working full-time.

For Madam Seah, retirement did not mean any cessation of work at all. "To me, retiring meant being free, resting and recharging for a second career." She retired as a mathematics teacher in 2010, took a break for four years before returning to work at a Chinese independent school as a headmistress.

"The passion is what I want, and this is because I can lead. It was too early to retire at 60 – I still have so much I want to do," she adds.

On the other hand, Ms. Chin had grand plans to ease into retirement – it was a change she knew she might struggle with as she left her career as a corporate banker. She planned to spend one-third of her time in part-time work, with the rest of her time focused on hobbies or volunteering. Initially, she found it hard to fill her days, as she retired in December 2019 right before the pandemic.

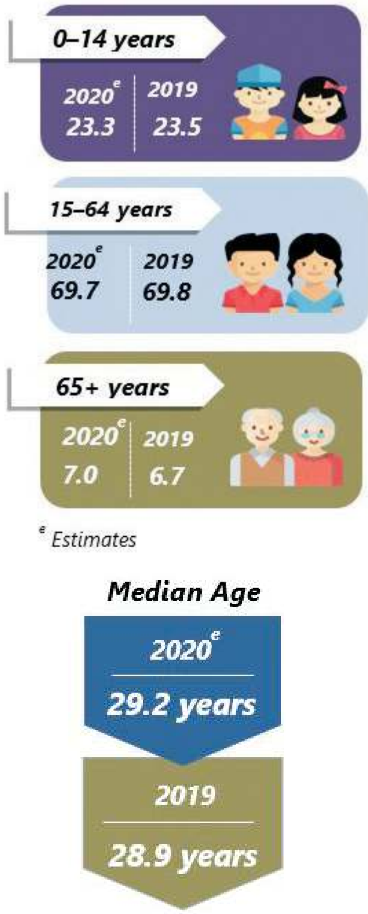
"The lockdown, in retrospect, helped me to retire better," she confesses. "Mentally, I didn't feel alone and it helped me adjust and ease into it. It is not like I could go out and everyone else could not. All of us could not."

Like so many of us in lockdown, she slowed down, weaned off caffeine, took daily morning walks and honed her baking skills. When asked if she would go back to work, she answered no to full-time work, but would still like to do more with her time.

"I still think I'm not being productive and as an able person, one can use that time productively to benefit yourself and others," she says.

Lastly, the semi-retiree is one many would deem the "sweet spot" of retirement. All of the freedom with all of the benefits. A chance to be productive, but without the encumbered necessities of having to be in the office. However, Mr. Michael found it difficult to answer why he was still semi-retired at 69 years old. Although he had significantly slowed down and made more time for golf, he was still quite involved in his family business. 14 years prior at 55, he had retired from full-time employment as a managing director of a palm oil company. However, after he left, his sister and brother-in-law needed his help in their electronics trading business, and saw how he could contribute.

EXHIBIT 2: PERCENTAGE OF POPULATION BY AGE GROUP AND MEDIAN AGE, MALAYSIA, 2019 AND 2020*



The median age of a population is that age that divides a population into two groups of the same size, such that half the total population is younger than this age and the other

In many respects, he feels that his current set-up suits him best. But given the option to not have to work anymore, he would do it. So why does he feel he cannot stop? A combination of duty and purpose, perhaps.

"I would not describe the past 10 years as a rollercoaster. It feels more like a storm, and it has not really passed yet. I cannot exactly leave right in the middle right now when I can still be around," he says.

WHERE DO WE BEGIN?

Licensed financial planners have one piece of advice to all Baby Boomers on where to start, regardless of where they are in their retirement life. Do a basic stock check of your expenses and resources. Begin with knowing what you have, and slowly build from there.

"You will be surprised – many do not know if their funds will be able to sustain them and some really do not want to face the truth because they are too terrified of the outcome," shares Kam Teck Guan of IPP Financial Advisors.

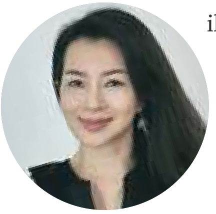
Kam Teck Guan

Next is being honest about what you need. "The key is to define the lifestyle you want in retirement. Some are social butterflies and need to be in different places all the time, but retirement means it is Saturday and Sunday every day. Can you fund your lifestyle?" queries CT Lim, also of IPP Financial Advisors.

CT Lim

Finally, not forgetting healthcare and eventual medical bills and support. Of course, all practical financial nuggets of advice would be moot if health was a problem. Samantha Lim of FA Advisory stresses the importance of maintaining a healthy lifestyle, as "healthcare can cost a fortune."

"Medical costs have been on an upward spiral with an estimated inflation of 10-15% annually, which means treatment costs will only escalate in the coming years," she adds. Furthermore, accidents and chronic


Samantha Lim

illnesses are unforeseen events that will require a substantial sum of money without insurance.

Overall, one should calculate their expenses for the next 20 retirement years, taking inflation into consideration. In an interview with The Edge in May 2020, KRI senior research associate Hawati Abdul Hamid shared some worrying findings: "More than 80% of EPF contributors do not meet the minimum savings target of approximately RM240,000 by retirement age, and the bottom 20% of contributors average less than RM7,000 in savings."

IS SEMI-RETIREMENT ACTUALLY BETTER?

"For many of us, our sense of identity and importance comes from what we do at work. If we retire abruptly, we may have a hard time locating our self-worth and sense of who we are," says Kevin Neoh of NextGen Independent Advisors.


Kevin Neoh

On the outset, semi-retirement seems ideal to being fully retired. As we are generally living longer, and work depends less on our physical ability, those who fully retire are prone to feeling a sudden loss of meaning in life.

"From a financial standpoint, any strategy to delay dipping into one's retirement nest egg is always a good thing," says Felix Neoh of Finwealth Management.


Felix Neoh

"A part-time job also has health benefits such as keeping one's mind alert and physically active," he adds.

While the general consensus to keep working has health benefits, as staying active keeps the mind healthy, Kelly Wong of Alpine Advisory has a realistic take on what semi-retirement usually means: "If the option is there, most would want to be fully retired. If they are semi-retired, it is because they cannot fully retire." She helps her clients by closing the gap between their ideal retirement age and their realistic retirement age.


Kelly Wong

"Ultimately, the currency that solves today's problems is money," says Kam.

We can all hope for the ideal: to do what you love part-time while still getting paid for it. But the reality is, even if you cannot fathom no longer working, there is an undeniable fatigue after working for 35 years. And retirement simply means a time for rest. This change is a lot deeper and emotional for most to reflect and consider.

WHAT ABOUT PASSING THE BATON TO THE YOUNGER GENERATION?

Legacy is another aspect to consider when it comes to retirement. In this regard, it usually involves generational wealth and family: bound to be heavy with emotions and come with its own set of problems. Throw in cultural differences between generations and what needs fixing will no longer just be monetary or financial. This will be usually when the LFPs step in as mediators.

Involving the younger generation does not have to be a weighty topic – whether it's a conversation where the younger generation is required to help or for the older generation to let go.

"It is the ego – do not be embarrassed to discuss things openly. Treat it as family bonding time through financial conversation," advises Wong.

Overcoming the problem together does not necessarily mean taking money from your children. "It could be a time to brainstorm to problem solve the problem together," she adds.

"It is a cultural difference in value, and I usually step in to mediate," echoes Kam.

IT'S NEVER TOO EARLY...

To start planning for your retirement

For those who are not of retirement age – Millennials and Gen Xers – it is never too early to start planning for it. As a matter of fact, taking in the current reality of Baby Boomers would make a free lesson in what to do. Millennials and Gen Xers have one asset the Baby Boomers no longer have and it is something money cannot buy: time.

"Retirement is a business plan. For it to be successful to generate income, it may take two to three years. A good age to start planning is 45 to 50 years old," says CT Lim of IPP Financial Advisors.

"Make a time value projection; it may not be accurate or perfect but it will give you direction," he adds. Making a plan liberates the anxiety for what might come next.

With that, here are some top steps to begin planning your retirement:

1. BEGIN WITH A GOAL AND REALITY CHECK

This starts with keeping track of your income and expenses and searching for opportunities to increase your income and reduce your expenses. This will give you a good snapshot on your net worth. Subsequently, determine your ideal retirement age. How long will your current funds last based on your expected expenses? This matches your expectations with your reality.

2. ENSURE YOUR INVESTMENTS ARE DIVERSIFIED

Samantha Lim of FA Advisory advises to stay invested with the right investment vehicles that match your financial goal. Some expenses such as healthcare require liquid financial assets which can be sold at any given time. "Diversity is key for asset mix in investments, one that crosses different geographical and industry sectors," she says, with a reminder that risk appetites vary between individuals.

3. APPLY A GOOD DRAWDOWN STRATEGY

A drawdown strategy is the relationship between the desired level of spending, savings amount and investments of retirement savings. According to Samantha, a good drawdown strategy requires balancing these four objectives:

- Sustain a stable standard of living in retirement (ideally similar to what you were accustomed to prior to retirement)
- Protect the value of savings against being eroded by inflation and adverse market conditions
- Provide access to savings to pay for unplanned expenses (without significant penalties for early withdrawal of capital)
- Minimise the risk that you will outlive your wealth

4. IMPLEMENT THESE STRATEGIES EARLY

"As we get older, it generally becomes harder to solve new problems and process new concepts; we often find we shy away from complex decision-making," cautions Samantha. This is why it is important to develop a drawdown strategy early, as it accounts for this cognitive decline and lets you easily change or amend investments during retirement.

5. DO NOT FORGET THE GENERAL BASICS OF GOOD FINANCIAL PLANNING

Having a plan does not mean just waiting it out until you reach retirement age. There is still plenty to be done with the time you have. Kevin Neoh shares his 5S tips:

- Always choose to Save more
- Spend within your means
- Be Socially engaged – for your wellbeing and to also share plans and ideas
- Be very aware and weary of Scams
- Exercise Self-awareness and self-love by putting your needs first

Ultimately, the general consensus is that the younger generation will need to learn to fend for themselves, as the retirees would need to prioritise their own health and retirement plan.

"Love is blind that it can sometimes turn into coddling. You may think you are helping your children save, but you are actually helping them spend. It is counter-productive," he reasons.

"The greatest gift you can give them is a blueprint for their own success," muses Samantha.

The intent to have a business that will provide a good lifestyle for generations to come is a commendable ambition, but is it worth the price of leaving the outgoing generation "exhausted, depleted, depressed and demoralise?" she questions.

"If our body is shutting down from work, we will end up nowhere, even with the best of intentions."

RETIRE FOR ENJOYMENT, NOT FROM IT

We can plan for retirement, but what we do not account for is when we finally reach that milestone. Perhaps you might be a lot more fatigued than you realise; your passion can still burn bright, but that does not negate the physical bone-weariness. It is wonderful to be constantly inspired and have a zest for life, but work is still energy spent. As we are all living longer, the most we can hope for is to spend our remaining years with dignity, gratification and pleasure.

"You would want to retire FOR enjoyment, not FROM it," concludes Kam. SI