Stepping off the Spinner into Retirement

High achievers tend to have a hard time making the jump to retirement. Here, learn how to decide when is the right time to stop working.

In recent years, the spinner has become a subject of debate, no doubt because it is connected with countless physical injuries, episodes of dizziness, and well-intentioned psychological trauma. Nonetheless, some experts contend that the spinner's movements can be therapeutic to growing children, helping them develop strength, coordination, and balance. It also provides a helpful metaphor for work and retirement.

If you've ever ridden a playground spinner, you know it is always a struggle to stay on board, and sometimes, you can spend more than half of the ride trying to decide if you should just let go and jump off. Trying to find the right time to stop working is similar.

Finding the Right Time

High achievers tend to have a hard time making the jump to retirement. This may be true for a number of reasons. Some identify strongly with their work and feel concerned about their ability to move on. Societal messages that reinforce the value of work, stigmatize early retirement, or create fears of falling behind may create additional pressure.

"Others simply like what they're doing and feel like they have more to contribute to the organization," says Michelle Scarver, a CAPTRUST financial advisor in San Antonio, Texas. "Or, frankly, they may just be having fun.”

Others may have golden handcuffs—unvested benefits of some kind—that create uncertainty about timing or even financial disincentives to retire.

Golden handcuffs can come in the form of a compensation package, stock incentive plan, deferred compensation, bonuses, or other perks. “Golden handcuffs tend to amplify the decision about when to retire, and they can complicate the analysis of a retirement plan,” says Nick DeCenso, head of wealth management solutions at CAPTRUST’s headquarters in Raleigh, North Carolina.

For others, money is a scorecard, and they fear losing relevance or social standing.

“Moving into retirement is a big decision, both financially and emotionally,” says Scarver. “As financial advisors, we can help address the financial side with a thorough plan so people can give themselves permission to retire, but 90 percent of the decision is emotional.”.

How Brains Resist Retirement

There are several cognitive biases at work here. The sunk cost fallacy may make it difficult for high earners to walk away from the investments they’ve made in their own knowledge and experience. And loss aversion—the tendency to weigh potential losses more heavily than potential gains—may cause them to focus on what they think they might lose (e.g., status, income, and purpose), rather than what they stand to gain (e.g., more free time, deeper relationships, and experiences).

These high earners could also be in their peak earning years, so fear of missing out (FOMO) may make them think the best is yet to come financially. This manifests in thoughts and comments like “Next year is going to be big, so I don’t want to lose out,” or “If I can just do this for another year or two, we won’t have to worry about money.”

One important question that also arises when considering the right time to retire: How long can I expect to be healthy?

“Financial planning plays a big role in confirming to people that they will be OK, even despite the rising cost of health care, but health is always a concern,” says Scarver. “Clients tell me all the time that they don’t want to miss out on good years of retirement due to failing health, and they want to be able to enjoy the retirement they saved and planned for.”

Flipping FOMO on its head is one strategy that may help create clarity around this key decision.

Talking to family and friends about—and, ideally, even documenting—the interesting and exciting things you plan to do after you stop working may help tip the scales in favor of retirement over more work and more money. Tangible plans can trump vague fears.

Put another way: It’s important to name the risks of staying on the spinner and the rewards of stepping off.

Three Transition Tactics

Here are a few other tips that may help you feel more comfortable with the transition from work to retirement:

Investigate your handcuffs. If you have unvested benefits with your employer, you may find that you'll lose less than you fear. For example, tiered vesting on retirement plans, stock programs, and deferred compensation plans could mean that you keep the lion's share of those benefits when you retire. "The best way to gain confidence in your decision is to have a well-developed retirement plan—one that factors in the golden-handcuffs dynamic and focuses on meeting your personal goals in retirement," says DeCenso.

Determine how much is enough. "One common transition hurdle is that it's hard to get comfortable with not having a paycheck," says Scarver. "For a while at least, it can make people feel uneasy to start drawing money from their savings to pay for everyday living expenses." After watching your savings account balance grow for so long, it can feel stressful to watch that money slowly decrease, even if you know this is what you saved it for.

One way to manage these feelings? Rather than focusing on the total value of your accumulated retirement savings, visualize this money as regular income using the four percent rule. Multiply the value of your portfolio by 0.04. The resulting number is the level of cash flow your portfolio should be able to support. You may find you already have more than enough to breathe easy.

Practice mindfulness. Biases are sneaky because they operate outside of our conscious minds. Managing them means staying alert to the moments when you feel you may be falling prey. Then, you can interrupt your brain's natural tendency to be more thoughtful and intentional instead.

Did you just feel a pang of FOMO looking at the calendar for the upcoming work year—or wonder what you'd do this year without work? Once you realize what you're feeling, you can contemplate that feeling more logically and rationally so you aren't just reacting to passing emotions. The more you practice, the better you'll get at it.

Once you have tried these tactics, it might also be a good idea to identify your personal goal line. And, of course, you'll want to validate your assumptions.

Working with your financial advisor to document this plan and check your progress along the way will help make sure those couple more years don't keep slipping into the future. It's easy to keep moving your own finish line.

"There will always be more work than can be finished, and there will always be money left on the table," says Scarver. "But for most of us, work is not the point of living."

Written By John Curry.

CAPTRUST's former Chief Marketing Officer, John Curry is now constructing his own second act and adjusting to unretirement in Spain. In the finance industry since 1986, Curry was instrumental in the launch of *VESTED* magazine, serving as its original editor in chief.

Have questions? Need help? Call the CAPTRUST at Work Desk at 800.967.9948, or schedule an appointment with a retirement counselor today.
