INSIGHTS LIVE℠
Retiring early with confidence

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TRANSCRIPT

SPEAKERS:

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Jonathan Lamothe: Hello, and welcome to our latest *Insights Live*℠, Retiring early with confidence. As many of you know, my name is Jonathan Lamothe, vice president of educational webinars here at Fidelity. And today, we're going to talk about retiring early, whether by choice or by necessity.

Our panelists come from all over Fidelity. And they do have a lot to get through today, but before we begin, I truly want to thank everyone for taking some time out of their day to join us. You have a lot of choices when it comes to financial education, and really, we're honored that you spent the time with us.

As always, before we begin, I would like to mention that Fidelity does not give legal or tax advice, and nothing we discuss today should be interpreted as legal or tax advice. The information we are providing is going to be general in nature, and it may not apply to your situation. If you do have legal or tax questions about your specific situation, we do encourage that you reach out to your tax professional or your attorney.

So with that, I'd like to turn it over to our host and moderator for today, Mrs. Ally Donnelly. Ally?

Ally Donnelly: Thanks, Jon. I think this is going to be a great conversation about early retirement. And truth be told, it's a scenario that may be a dream for many, but a worry for others. So we're going to cover both perspectives today. Thank you to our viewers for tuning in, as Jonathan said, and thank you for submitting questions during registration. They really helped shape today's discussion.

So let's get to it. I want to introduce our panelists. And let's have everyone go around and introduce themselves, and then describe your role here at Fidelity and the perspective you're bringing into this discussion. Ryan, will you kick us off?

Ryan Viktorin: Yeah, absolutely. Hello, everyone. My name is Ryan Viktorin. I'm a vice president and financial consultant with Fidelity Investments. Ally, so good to see you again. And so what I've been doing here at Fidelity, I've been a financial advisor for 15 years.

I've been at Fidelity for more than 10 of those years. And I work with clients every single day to build comprehensive financial plans and overall wealth management. And retirement planning, even if it's early retirement planning, is a huge part of what I do and help clients with. So I'm really excited to be here.

ALLY: Awesome. We've got two Jeffs today. So Jeff Edwards, why don't you kick us off?

Jeff Edwards: Yeah, thanks, Ally. You can never have too many Jeffs in one room. But thanks for having me. My name is Jeff Edwards. I'm a regional vice president with Fidelity. In my role, I coach over 500 financial consultants, primarily in the Western United States. I work with financial professionals just like Ryan, mostly to help them with financial planning concepts like retirement planning.

ALLY: Excellent. Jeff Waller?

Jeff Waller: Yeah, excited to be here, Ally. Thanks. My name is Jeff Waller, as Ally said. I've been in the financial services industry for 27 years, holding many roles, including being a financial advisor for families. Currently, I'm a VP, engagement consultant, at the Fidelity Center for Family Engagement. I'm a coach, instructor, helped design our curriculum, and work with advisors to help build capabilities to help families navigate the emotional, the relational, and the generational aspects of wealth.

ALLY: And such a good resource for Fidelity and for all our clients, so thank you. It feels like we need to start off the discussion by level-setting. So when we say the phrase early retirement, that probably means something different to everyone watching this show. So Ryan, if a client comes to you and says, I want to retire early, how do you put some definition around those words and kind of launch that conversation?

RYAN: Yeah, it's a great place to start. And I usually follow up that question with asking what early really means to them. And their answer will help guide the conversation from a benefits perspective, of course. And I know we'll get into a lot of those details later.

But what's also important is to understand the why behind their thinking about an early retirement. And I've seen a lot of scenarios. So sometimes it's really exciting scenarios—they want to travel and spend time with their family or their friends. And sometimes it means there might be a health concern, for either them or their family members, and there's a different reason why they want to retire early. So the why behind it can shape it. Spending time there is really important.

ALLY: Excellent. Jeff, what would you say?

JEFF: Well, that is a great question. When we were born, we didn't come with a retirement date, per se. My grandparents, they retired closer to age 70. My own dad had a hard stop at age 60. And he did it. He retired on his 60th birthday. And I am now 50 years old, and I'm looking forward to my own retirement someday.

And some people, they think about their retirement date as being determined by a government plan, such as Social Security. They ask, when will I be able to replace my paycheck with that Social Security check? Or when will I be eligible to replace my health insurance at work with Medicare?

For some, there are unexpected reasons, as Ryan mentioned. It could be something, maybe an experience such as a layoff in a slow economy. You're unable to find another job, and you choose to retire. Or you may have a health event that prevents you from being able to perform your work. I've seen some people retire early to take care of family members, like help watch their own grandchildren or help take care of their own parents because of the increasing costs of care.

But on a more positive note, I once met with a client that—she decided to retire then and there on the spot. She had a defined benefit company pension. We met, and we were going through the retirement planning process, and she thought the plan required her to work until age 65 to be eligible for her benefits. And we called her plan, and we got the numbers for a few different scenarios.

And as we discussed those reduced numbers if she were to retire early, I started to better understand really what she was hoping to do. She was just done working. And it turned out the math worked for her. Her new monthly paycheck from her pension would replace more than what she was currently spending and the additional cost for health insurance. It was just an incredible experience to watch her face light up and make that decision to submit her official resignation as soon as she could get that paperwork filled out.

ALLY: Yeah, that's excellent. Excellent. A different take on that same question for you, other Jeff—how dare I—Jeff Waller. If clients are thinking about retiring early, how do you help them get into the right mindset?

JEFF: Yeah, so Jeff's comments point to something that's fairly common. With a major financial decision like retirement, we can get stuck focusing only on the functional aspects—will I be able to afford it—which is important. But yet, there are huge emotional and relational elements to this decision.

For example, how will my retirement impact my sense of self and identity? How will it impact my family? And we need a way to think about retirement that gets us to a strong financial plan and be emotionally prepared. And a key way to do this is by exploring our thinking related to retirement.

All of our behaviors are shaped by what we call at the Center our mental models. These are thoughts, beliefs, and assumptions about how the world works. They come from our life experiences, and more importantly, they drive our behavior.

So when it comes to retirement, we can reflect on our mental models. So let me illustrate this for everyone out there by talking about my father's mental models of retirement. First, we can ask ourselves, what does the word retirement mean to all of us? For my father, he never really retired. As a senior leader for many years, he felt the need to continually help people with their success. He was always consulting on one thing or another.

But then we can ask ourselves, where does that thinking come from? And for Dad, his work ethic growing up was nonstop. He was a military man, focused on work, traveled extensively. When we can look at his mental model, the third thing we want to do is how is that impacting the way I think, feel, and especially the way I act? And Dad, he wanted to work through others, help them achieve success. Again, he never really retired.

So the last step here in kind of examining our mental models is, how was that mental model useful for my dad? Well, it kept his mind active and engaged. His self-identity was there. We had wonderful discussions and engagement. But when I think about the limiting view of that, where you can expand your thinking a little bit is he focused retirement only on himself a little bit.

And the other options I wish he would have considered is his role as a grandfather to my kids, right? So I wish he'd have been closer to my kids. And our best approach really in this process is to be reflective so we can understand what's underneath our thoughts, our feelings, and our behaviors towards retirement. And the key, we say, is intentionality. We need to be intentional about setting time aside to explore those mental models and potential areas to expand some of our thinking.

ALLY: Yeah. Thank you for your vulnerability there. Parent relationships are tricky. You know, let's drill down on early retirement finances now, shifting a bit, starting with what's probably one of the questions we get most frequently here at Fidelity. How do I know when I've saved enough to retire? Ryan, million-dollar question.

RYAN: It has to be the number one question that I get asked for anybody considering it. And my answer is always the same and it has always been "it depends," which is frustrating, I know. But what that means—let me help break that down a little bit—it depends on what your expenses are going to be in retirement. And then it depends on the type of predictable sources of income you'll have in retirement, like pensions or Social Security or annuities. And then it depends on the difference between the two of those, meaning how much you're going to withdraw from your investments.

And for those retiring early, there could be some variability in that, given the cost—or the uptick in cost of health insurance if you retire before 65, and when Social Security starts, which could be as early as 62 or as late as 70. But either way, once you know what that withdrawal really will be, then you look at how much you've saved to determine how long the money could theoretically last, and therefore whether you have enough. Going through this exercise is really valuable. And it'll help you answer that question.

And of course, there's a lot of other factors to consider, like market and economic events. And I also am aware that this is a lot, for what I'm describing. There's a whole process behind this, and it's why I help clients and why I do what I do. And I want to let everyone know we are here to help. Like I said, it's why I'm here. Please reach out to us if you do need some help. There are also a lot of tools and resources available online in the Planning & Guidance Center that you can go and find this if you want to tackle this by yourself. But raise your hand if you need us.

ALLY: All right, thanks. You know, Ryan says understanding your expenses is an important exercise. But Jeff, for you, how might those expenses change over time, especially when you're considering a multi-decade retirement?

JEFF: Yeah, Ally. Building on Ryan's thought there, there is some variability to it. And unfortunately, life does happen. We experience some spending shocks we may not be ready for. I've seen everything from an air conditioner not working in the middle of July in Arizona to a roof rotting in Seattle, Washington. But those are types of emergencies that we can plan for.

However, I've noticed some clients really get after their bucket list upon retirement. Some people call that the go-go years. That's when those additional trips add up. You might do some remodeling. You've got that to-do list of things you've always wanted to do, etc. It really starts to add up. And with each of those activities comes a new cost. And you just have to be aware of the risk that's associated with that. And when I say risk, I'm talking about withdrawal rate risk.

I had a client that told me every year when we would meet, his annual expenses, they were around $60,000 a year. So about $5,000 a month. But every year, he would get his 1099, and it reported that he was withdrawing about $100,000 from his IRA.

And that just didn't add up. So as we explored that difference between the $60,000 that he thought he was spending and the $100,000 that he was actually withdrawing, that's when he started to share some of these additional things that he really didn't plan for, like, oh, this last-minute trip to Greece cost us $20,000, or I bought this new little trailer that me and my spouse are going to go camping with.

So we have to be aware of those. And there are some others that we just have to be aware of, as well, like things like long-term care. Unfortunately, some things happen to our bodies. We need some help. Additional costs come with it. There's additional health care costs involved, as well.

And then the big one that unfortunately happens is there's that unexpected loss of a spouse or partner. And that really can impact your plan.

RYAN: Yeah, Ally, if I could step in actually on Jeff's point for the loss of a spouse, which of course I'm with my clients when they go through this, we plan for a whole retirement with what we think will happen, and your hopes and your dreams and the bucket list that Jeff mentioned. And it can really get thrown up in the air when there's an unexpected and, unfortunately, early loss of a spouse. And from an emotional perspective, it's very difficult to navigate what your new normal will be in that time period, and its new dreams and new hopes that you have to think through. And that can be a tough moment. And it's good to have somebody to talk to about that.

But from a financial perspective, there's also sources of income that could drop. For example, and I'll give you one specifically, is with Social Security. So when one spouse passes away, the surviving spouse will either keep getting their own Social Security or switch to their deceased spouse's Social Security, whichever is higher. But in either case, one of those income sources has dropped away. So there's an emotional and a financial aspect, particularly, to the unexpected loss of a spouse. And it's hard to get through.

ALLY: Yeah. Yeah, I'm sure. You mentioned income sources. So you've got a handle on your expenses. You need to make sure you at least have enough income to cover your essential expenses. And of course, there's the extra twist if someone is under age 59½, when they can tap their retirement accounts penalty-free. But Ryan, stay with me for a second. What are some common sources of income in these situations.

RYAN: Yeah, especially I want to focus on if you are before the age of 59½, because this whole topic is retiring early. And the reason 59½ is an important age is because that's the age where, if you withdraw before 59½ from an IRA or a retirement account, there can be some penalties associated with it. And one of my clients describes this as "the wall."

There's the before-the-wall money and the after-the-wall money that they actually think about. And so if the plan is to retire early, one of the things that we're going to incorporate in that framework that I described before is which assets are we going to tap into when you start to need them before 59½, after 59½, once Social Security starts, all the things that are in place. So like you'll hear me say this entire time, you have to have a plan for this, is the bottom line.

ALLY: Excellent, excellent. A lot of people are reimagining their retirement. So Jeff, if someone retires before the age they can begin taking that Social Security, currently age 62, how could they potentially bridge an income gap?

JEFF: Yeah, that's a great question. That's one of the biggest challenges as you consider retiring early because you're now on the hook for your paycheck, right? You've had your human capital at work, creating those paychecks through an employer, your job. And then once you switch that off, you are now responsible for creating that paycheck. And as Ryan mentioned, there's certainly some things you can plan for.

But beyond that, when we start to look at those qualified dollars, that 59½ rule can be scary. And it might cause us to pause and say, well, I have to work through that. I have to get there. But actually, the IRS, there are some rules that you'll be able to implement if it makes sense for you and your situation, where an annuity may be appropriate to consider based off of what your needs are in the scenario.

So let's say you go through, you sit down, you do the math. You have a good handle on what your monthly expenses are. And you've identified some of those expenses, you're going to have them for the rest of your life. Those are some essential expenses, like real estate taxes, health care expenses.

They're going to be a little bit different for everybody. Well, you could take some of that qualified money from your IRA or your 401(k), 403(b) plan, and you can roll it over into a lifetime income annuity. So if you choose to take that paycheck or create that paycheck, similar to a pension, for the rest of your life, then it isn't subject to that 10% early withdrawal penalty.

There's some other things you can do. There's some strategies that you could research a little bit further. It's called 72(t), or substantial equal periodic payments, that might help you get to Social Security and beyond. And Ally, what is really important about that is, every year that you're willing to push off Social Security—early as 62, then you've got your full retirement age for most at 67—every year you're willing to wait, you'll get that 8% raise. So if you've built up this nice little nest egg, nice net worth, it might make sense to use your own money to get you to that higher Social Security check.

ALLY: Hm. OK. So we're talking tactically financially, but I do want to go back to the emotional side for a moment. You know, Jeff, let's say someone has the financial means to retire, but they're struggling with fear or another emotion. How can you help approach that?

JEFF: Yeah, it's really a great question. With a decision as large as retiring, there's always going to be some fears, which is why we say, first and foremost, it's important to be open to talking about them. Even just by surfacing those fears and talking about them, you can begin processing them, exploring ways to think differently about them.

So two things come to mind for me, Ally. In terms of working through your fears, our way of thinking about them isn't trying to get over or plan the fear away. It's to lean into it. And we use a frame here called wish/fear. It's based on the idea that behind every fear, there is a wish. So the first suggestion I would make is to surface all of your fears and make that list. Then go through that list one by one and ask yourself, what is the wish behind the fear?

For example, if you fear that you won't have enough money, what's the wish? That you're able to maintain your lifestyle or that you can take care of your loved ones? So kind of examine those. And that's one approach, seek the wish behind the fear.

The second idea is related to one of the most powerful lessons I've learned here in our work, which is, when we do fear-based planning, it really is and can be limiting. We tend to plan in a way that's about avoiding outcomes that we fear. And in terms of what it does to our brains, it really limits our creativity. It limits our options. And instead, we say, simply start with the wish. When we put ourselves in a wish space, we're open. We tend to be expansive and creative. We can think about all the possibilities. And you can all ask yourself, what could retirement look like?

And so in our work, we help clients create a vision based on their wish. So moving towards that vision ends up being inspiring and energizing, versus avoiding what we fear, which can be stressful and a bit constraining. So two thoughts there, seek the wish behind the fear and start with the wish.

ALLY: I have to say, when I first heard wish/fear from the Center, I have now incorporated it into so many aspects of my life. So that alone is a gift. I appreciate it. In some cases, fears may have potential solutions. For example, concerns about financing health care. Especially for those who may be considering retiring before they are 65 and eligible for Medicare, what are some of the options to bridge that gap? Now you're the other Jeff, Jeff Edwards.

JEFF: Yeah, thanks, Ally. I feel like I'm getting the questions about some of these challenges to retiring early. And I'm going to build off of what Jeff Waller said using the wish/fear. But I think Ryan's earlier comments were spot on, and plan for the goal.

And one of the biggest fears that we hear is, if I retire early, I won't have health insurance. The wish part is to retire early. I want to retire early, while I'm healthy. I want to stay healthy. I want to go out and enjoy and do all these things that I've wanted to do as I've been working hard. But it is important to know that you do have options to help you overcome that fear. There are health insurance options.

Now, some plans offer within the plan upon your retirement, it's called the retiree health insurance. So it works like you stay on the plan. It's just now you pay out of your own pocket the part that your employer was paying for you. Not every plan allows it, but there are some larger plans or big plans out there that will.

You also have COBRA at your disposal. You could go through the state. You could go through private marketplace. And then there's the public marketplace. There's Obamacare. That is the purpose of Obamacare, is to make sure that you have that health insurance to get you through age 65, when you'll be eligible for Medicare.

And then, of course, you could always go out and you could shop independent plans in the marketplace. But know that you're probably going to pay more than what you were paying through your employer because they were probably picking up some of that cost. Just know they're out there and it is available. You shouldn't have to fear not having health insurance, knowing there are options out there.

RYAN: And Ally, I need to come in with just a reminder here at this moment because, to Jeff Waller's point, we tend to think in extremes and stay in the fear. But if you do have to go get your own health insurance, yes, it could be more expensive, maybe likely is more expensive than what you're used to, but that doesn't mean you shouldn't retire early. It means you have to plan for it. So here I am again, saying we have to plan for it. But also remember that it's temporary. If you're retiring at 63, you've just got to get to 65. So it's just a temporary moment, and we have to make sure we account for it.

ALLY: Yeah, OK. So Ryan, stay with me. So let's talk about investing for a multi-decade retirement. First, what do we mean when we say multi-decade retirement? And then how can we approach it?

RYAN: Yeah, it's a great question. And so when we say multi-decade retirement, we—at least here at Fidelity—plan for something called longevity. So we're hoping that everybody here lives a nice, long life. But with that, you have to come with a plan, with an investment strategy to keep pace with that.

But before we get there to the detail, I want to acknowledge something. Even though we have a multi-decade retirement, we have had a multi-decade career, in most cases. And so what that means is you've had really to focus on two things while you are employed, save your money and grow your money.

And I always describe it like this with my hands. You know I love talking with my hands, Ally. But you've watched your money do this over the years. And it's really uncomfortable to think it might do this over the next part of the years. That's just not what you're used to. It's decades-long muscle memory of saving and growing.

Once you get to the retirement years, and even if it isn't early retirement years, you need three things now. You need some of that emergency, like, flexibility on your money because, like we said before, maybe you have to withdraw it before 59½, after 59½, but you actually need to withdraw your money maybe for the first time on a consistent basis. But you also need the second category, which is what's called protection.

And we bucketed it this kind of way because you need protection from the markets, protection from something that could be happening really unexpected. But you also might want to protect either the income source by way of an annuity, like Jeff Edwards was saying, or just protecting the assets. So maybe your asset allocation, your mix of stocks, bonds, and cash gets a little bit in the more conservative or safer type of bucket.

But you also need growth as a third component because you have to try to keep pace or outpace with inflation. So we're used to having an asset allocation from an investment perspective, but now we sort of need an income allocation. And we have this new mix that we're looking for between the emergency, the protection, and the growth. That's the framework. And you assign different accounts or different buckets of money with different jobs to do so it gets easier to understand.

And then the last thing I'll say about growth, it doesn't mean we're going to say, OK, aggressive growth, and that it's in a way that's investing that might be uncomfortable for some. It still has to match who you are as an investor from a risk tolerance point of view and be appropriate for you. But it's got a different job to do than protect the income or protect the asset.

JEFF: Yeah, if I could build on that idea of protection is, as you're meeting with Ryan or your financial consultant at Fidelity or figuring this out on your own, as we mentioned, this could be a multi-decade retirement. And people are retiring earlier than they ever have. And we are living longer than we ever have before. So that means we have more of these years that we have to solve for. And there are these five key risks that we often talk about at Fidelity that you need to consider with every retirement plan, whether it's early retirement or in your later years.

And that first one is plan on longevity. I know I usually, as I meet with clients, the husband or the wife or the spouse will say, it's probably going to be you. But we should look at some of the numbers. A couple aged 65 today has a 50% chance that one of them will live to age 93. That's a pretty good chance. They have a 25% chance that one will live to age 97. And I often hear, well, I don't want to outlive my money. That's probably the number one fear that we hear as we meet with folks.

The second risk is the health care costs that we talked about. And according to a 2022 Fidelity retirement readiness survey, that same 65-year-old couple today, they'll need about $315,000 just in today's dollars for their medical expenses alone. And that doesn't include long-term care expenses.

The third risk is inflation that we have to plan for. And I love—that's why Ryan brought up that growth piece. We have to continue to grow our money. That's going to be our inflation buster. But things will continue to get more expensive in the future. And normally, this is a bit of a silent risk, but lately, it has really snuck up on us. It's been a little bit more prevalent.

The fourth risk that we talk about is that volatility in the markets. And it's important to understand that volatility has always been there. It will continue to be there. And it's just how you react to it is what is important. That's how it may impact your retirement plan. So as Ryan mentioned, if I start to assign those roles and responsibilities, I've taken care of that emergency, I've protected what I feel I need to protect, and I'm letting that growth bucket grow, then I'm going to be able to get through that volatility. I'm going to understand that long-term perspective.

And then the fifth one I mentioned a little bit earlier. That is just that withdrawal rate risk. Just keep an eye on how much you are withdrawing. You may end up taking out more than you probably should to—that will impact your retirement plan.

ALLY: Yeah, those health care numbers really make you sit up and take notice. That's something. Thank you. You know, Ryan, we talked earlier about a scenario of being financially ready to retire but being held back by fear. What about the flip side, someone who may really want to stop working but may not be financially ready? What are some of the options they could explore?

RYAN: Hm. Yeah, it's a really good thought exercise, and it's important to acknowledge. And it tends to be more of a conversation about priorities and balance. So if early retirement is your goal, if that is the most important thing to you, again, we want to realize why and get an understanding of that.

But you have to think about if maybe we're not quite there financially, what are we going to spend less on now so that we can save more so that we can retire earlier. And that probably means what are we going to do less of, because it's usually some of the fun stuff. So you start to think, what is more important to you? Is it experiencing those things now? Is it later? And so kind of just you strike a balance between that and start to think about priorities.

But another thing that I've seen, and I would say a pretty significant uptick in this, even over the past five or six years—it's maybe—it's not a full stop on retirement. And maybe you ease into retirement, and you just work less, so that you could still have an income coming in, possibly access to some of the benefits so you don't have that uptick in health insurance, as an example, but you also still are getting more time for you so that you ease into it and get a little bit closer to the goal. But again, the point is have a conversation and, again, make a plan for it. You're just going to keep hearing me say this.

ALLY: I'm assuming you have a tattoo on your forearm that says make a plan.

RYAN: Right, I should.

ALLY: You talked about trade-offs. So we should mention the lifestyle movement sometimes known as FIRE, Financial Independence, Retire Early. It's essentially folks willing to give up a lot in terms of their current lifestyle in order to accumulate a large amount of assets to fund a very long retirement. Of course, it's not for everyone. But Jeff, are there any ideas we can take from that FIRE movement for ourselves, even if that's not for us?

JEFF: Yeah, for sure. Building on what Ryan said there, I think about myself and my own personal situation as we went through the recent pandemic, and the question I kept asking is, do I need more stuff or do I want more freedom and ability to go do things? And that's really the idea behind it. And financial independence, it's a good target to aim for.

And it means having enough money to live the life you want to live without the income from a job, unless, of course, you still want your job, you like what you do. Your savings and investments could provide income for the rest of your life. And we want to do those retirement things while we can. We see our own parents start to struggle physically while doing some of the things that they want to do. I mentioned those go-go years. They start to turn into the no-go years.

But there are four things to consider from the FIRE playbook that may help inspire confidence and clarity around your spending and saving choices to help you retire early. And I'll go through those quickly. The first one your time is money. Time is a precious commodity. Your money can be used to enhance your quality of life now, whatever that means to you, and it can be used to buy more free time in the future to do what you want to do.

The second one is financial security can be a benefit of aiming for financial independence. Achieving that financial security means you build a cushion around your finances to try to avoid some of those worst-case scenarios, like losing your job or a serious illness or an injury. Now, Fidelity suggests saving three to six months of essential expenses for an emergency. We want to make sure that emergency bucket is there and, as Ryan said, I can withdraw it if I need it and it's flexible and it's available. But for the financially independent, losing a job may be an inconvenience or a heartbreak, but it's not really a threat to their ability to sustain their lifestyle.

The third idea is this option to say yes or walk away. Financial independence gives you those options. And then fourth, I mentioned freedom, because I'm looking at some of the pros and cons. For some people, waking up when they want, choosing their daily activities, and living where they please are the best things money can buy. And it often involves a trade-off, forgoing a more extravagant lifestyle to chart their own path through life.

ALLY: Yeah, there's that trade-off word again. Of course, most of us aren't making that decision alone. Other people are either in on the decision or impacted by our decision. So Jeff, how do you suggest clients approach conversations about retirement with their family system?

JEFF: Yeah. It's such an important frame, right? So often, we think about retirement as something that is happening to us as individuals, and we might take an individual perspective, like the story with my dad. The reality is that our retirement is a collective experience. It is actually something that is happening to our entire family. And it's one that everyone is going to have views and feelings about.

So if we go back to what I was talking about with mental models, we can be intentional about expanding our thinking so that we can view retirement as a collective experience. And what this does is it creates an opportunity for connection. So how can you all out there engage everyone in the system?

A simple frame for that that we use is voice and vote. So when it comes to decisions and planning, we have a guide here at our Center that says, if someone is impacted by a decision, they should, at minimum, have a voice, and maybe a vote. So what this does is sets you up to ask other people their thoughts, their feelings, and views on your retirement.

So let me give you a quick example. We worked with a client recently who was considering retirement. And it was a 64-year-old baby boomer. And we suggested that he reach out to his spouse and adult children to get their thoughts and feelings.

So he just sent a quick email and asked them. And the responses were incredibly thoughtful. Opened up many lines of conversations about their perspectives of him, their wishes for the future of their family, and also the meaning of retirement.

And all he did was ask for their voice, their thoughts, their opinions. And also, he challenged himself to think beyond the mental model that this decision impacts only him. So any of us can seek voice if we remember that giving voice doesn't necessarily mean giving up the vote.

And I want you all to hear this. Your retirement is yours. You and your partner, if you have one, will make all the key decisions. But by separating voice and vote, you can create space to have amazing dialogue with your family. So that's kind of how I like to think about it. The retirement is a collective experience, and there is enormous value in getting more voices into the mix.

ALLY: Yeah. Another winning and lovely strategy from the Center. Thank you. You know, I started off this discussion by saying that early retirement is a dream for some, but for others, it's imposed on them, say by economic or health care events. In fact, we know that nearly half of retirees wind up retiring earlier than they'd originally planned. So Ryan, what suggestions do you have for someone in that situation now?

RYAN: Well, the first thing—and I'll keep this really simple—don't panic. That's the first thing. OK? Just take a breath. It's OK. That's what we'll talk—at least I talk to my clients about. But if you're doing this on your own, just kind of approach it from a place of trying to be calm about it.

And when I work through a plan with a client, sometimes we do model that in. What if this happens now? And we run some of the numbers so that at least we're in a place where we have acknowledged that it could happen. So I would encourage you to do the same when you're looking at your plan. Ask, what if? What if it happens? But the number one thing, don't panic, like I said before, because that's what leads to emotional and, I would say, reactionary decision-making. And so the calmer you can be in that moment, the better.

ALLY: OK. All right, so we're staying calm. But Jeff, let's talk through some benefits or options that might be available.

JEFF: Yeah, well, I might have to go get me one of those "have a plan" tattoos before the end of the day. Ryan's convinced me of that. But I agree with Ryan. Don't panic. Talk to us. We are here to help. And if retirement does come earlier than you planned, it is important to explore all the benefits that may be available from your employer.

You do not want to leave anything on the table. Some employers may offer you an opportunity to work through any family care concerns through FMLA. But it really is important to carefully read and understand all of the benefits that will help you transition into retirement.

And I'm thinking about one of my clients. I had a client that—she lost her job during one of the worst times possible. It was January 2009. She was about to celebrate her 60th birthday. And she really loved what she did and was planning on doing it for about another decade.

And when we met after the news, we discussed what are those essentials you need to cover. And in addition to the corporate benefits, such as the severance package that she received, we were able to put together a plan that just gave her that peace of mind. Knowing those essential expenses were covered during a very challenging time, that got her through it.

ALLY: Yeah. It's like you talk about essential expenses, but there are essential other things that come up, too. Ryan, you mentioned your clients often focus on the financial side. But what are some of those nonfinancial issues that tend to come up when you're meeting with clients?

RYAN: Oh, it's a really good question. I think the thing that strikes me the most is how surprised a lot of my clients are at how they feel in that moment, whether it's their choice or they were "voluntold" to retire early. It can be really different for a lot of people. And I'll give you a couple client examples.

I have some clients who say to me, on one extreme, where a client just earlier this month said, Ryan, I figured out what I was supposed to be when I grow up—retired. And that was it. I go to the gym. I golf. I lost 20 pounds. I feel great. I'm traveling. He's just loving it. OK?

And in the other extreme, I have had clients describe this to me as a grieving process. It's almost like they don't know where their place is in society. And I hear things like, who am if I'm not a doctor or a CEO or a lawyer or something like that, just for some examples. And of course, everything in between those two extremes.

So it's different for everyone. But the more that you are thoughtful about it and you start thinking about it and preparing for it, the better I see it going. But my clients are a little surprised how emotional it can be, good or bad.

ALLY: Yeah. Yeah, I mean, can't we all see ourselves in some of those fears or questions. Jeff, I'll ask you the same question with your clients.

JEFF: Yeah, thanks, Ally. I'm thinking Jeff Waller and I had similar experiences, I think, to Ryan, where we were more a counselor than a financial consultant at that point. But I've seen several people struggle with the social aspects of retirement. It's interesting. You may feel like all my friends are at work, and you're not quite sure yet, like, where or how you're going to fill that void in society after you've just been on this go, go, go treadmill and your friends are at work.

But I've also had a little bit of a different case. I've seen this quite a bit, where you have to consider—does my spouse or partner really want me around this much? All of a sudden, that's a lot of together time. And so some people say, let's ease into it. Go do your things, and we'll meet at dinner and ease our way into it.

And the other thought that I had there is, for others, early retirement, it doesn't necessarily mean, hey, I'm not working anymore. I think about my own plans. I would really like to find something part-time to stay active and healthy. Perhaps I could operate a ski lift up at a resort in Park City, Utah. I want to be that person that sits in there and hits the red button when people fall down. That's about as much mental thought as I want to give my working in retirement years.

ALLY: Well, wildly important job, hitting that red button. So thank you. But—

JEFF: For sure.

ALLY: We've talked earlier, like, the wish/fear, voice/vote, talked about those conversations where we can be proactive as we talk about retirement. Jeff, how can someone broach these particular topics with the loved ones around them?

JEFF: Yeah, thanks for the question, Ally. So as Ryan and Jeff pointed out, these conversations can be tough. They can be scary. But the more we can make it normal to talk about the future and all the possibilities it may bring, the better off we are.

So I think the thing that I would highlight here is that so many of us find it hard to get the conversation started. Maybe we aren't sure how. Maybe we have emotional resistors or we just don't feel it's urgent. We tend to put things off in a reactive manner. My father did, as well.

So here are some actionable things you can do. First, if you're wanting to have the conversation but not sure where to start or feeling yourself resisting it because maybe it's hard or you feel overwhelmed, then it's interesting, that is the place to start. Just say to someone, I'm not sure where to start. What are your thoughts? Or it feels really overwhelming to talk about this, and I think it's important.

It's a skill we call processing out loud, which is about saying what you're thinking and what you're feeling in a way that people can hear you. Just by saying it out loud, you get the conversation started. And that's really what it's all about. So from there, it's about finding ways to have the conversation, as we mentioned earlier, that creates creativity, exploring options. So that's one technique.

Another technique is "what if" thought experiments. And Ryan talked a little bit about that earlier here. These are powerful ways to explore future options without getting bogged down into the stress and the details. You just sit together with someone and say, hey, what if we moved to...or what if I kept working...what if I took a course in...

And then just explore the possibilities. Point being, whether it's just talking about the emotional resistors or setting yourselves up to imagine the future, it's about finding just ways to have the conversation. That's really what it's all about.

ALLY: That's great. That's great. I mean, you've all given us so much, A, important information, but B, food for thought, things to chew on. I'd love to ask each of you to just share some key takeaways you want people to leave here with. Jeff, let's start with you.

JEFF: Yeah, my last thought is retiring early, whether you plan for it or it was forced upon you, it shouldn't have to be scary. At Fidelity, we want to help you feel confident in whatever life brings you.

ALLY: Ryan, I suspect I know what yours is, but go ahead.

RYAN: You know mine, Ally. It's going to be make a plan. But I think the other one is really reiterating what Jeff was just saying, is that we're here to help. This is literally what we're here for. Call us. Find us online. It is free to talk to somebody like me. Please reach out. We're here to help you make that plan.

ALLY: Excellent. Jeff?

JEFF: Yeah, yeah. So much of being prepared is taking the time to do sense-making around retirement for all of you. Make time for it. Sit down together. Talk through it.

A couple things that I think you can see on the screen here is some resources from the Fidelity Center for Family Engagement, some articles, a recent piece that the founder of our group, Dr. Timothy Habbershon, wrote about how couples can use storytelling to imagine their future. One example of ways to just have the conversation, in that case by telling stories of the future they want to live.

You can also see an article we consulted on that explores how you can align your retirement vision with your spouse. So regardless of the approach, it's not about the problem-solving on this part of it. It's about sitting down, finding time to explore. And I would close with the conversation is the point.

ALLY: Mm. Those are great words. Jeff, thank you. I want to thank each of you. These were really great insights. I also want to invite our viewers to join us again on February 14, Valentine's Day, for a live Q&A session. Nothing says love like planning, right, Ryan? A live Q&A session on early retirement featuring Ryan Viktorin.

So this is your chance to get answers to any follow-up questions you might have coming out of today's panel or other questions. And for more timely market updates and insights on other financial planning topics, subscribe to *Insights from Fidelity Wealth Management*℠. We've got exclusive invitations to future wealth management webinars there, and of course access to our weekly newsletter, which is fantastic.

If you have questions about anything we touched on here today, please reach out to your Fidelity representative or tune in on the 14th. Thank you for joining us, and we look forward to connecting with you very soon. Have a great day.

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[1]Services from the Fidelity Center for Family Engagement are currently available on a limited basis. The Fidelity Center for Family Engagement is an affiliated business unit of FMR LLC and operates externally from Fidelity Brokerage Services LLC.

Source for longevity data: Society of Actuaries RP-2014 Mortality Table projected with Mortality Improvement Scale MP-2021. For illustrative purposes only.

Details for the estimated $315,000 health care cost referenced:

Estimate based on a hypothetical opposite-gender couple retiring in 2022, 65 years old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates projected with Mortality Improvements Scale MP-2020, as of 2022. Actual assets needed may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Cost Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services, and long-term care.

Source for early retirement data: 2023 Retirement Confidence Survey (RCS) (ebri.org). The RCS has consistently found that a large percentage of retirees leave the work force earlier than planned (46 percent).

A guarantee period is a feature available on certain income annuity contracts that provides annuity income through a specified date, even if no annuitant lives to the end of the guarantee period. If no annuitant lives to the end of the guarantee period, each beneficiary will continue to receive income for the remainder of the guarantee period (note that certain annuities give the beneficiary the option to choose a commuted value as a lump sum benefit instead). A contract with a guarantee period will provide lower annuity income on each annuity income date than will an identical contract without a guarantee period.

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