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Robert Powell's Retirement Portfolio

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Retiring? Tune up your 'psychological portfolio'

Mental preparation can be just as important as financial planning



By Robert Powell, MarketWatch

Forget about your investment portfolio. It's time for you to think about "psychological portfolio."

Yes, the money is important. There's no denying that. "You have to think about your financial portfolio," Nancy Schlossberg, author of "Revitalizing Retirement: Reshaping Your Identity, Relationships, and Purpose," said in an interview.

But all the money in the world won't matter if you haven't figured out the psychological part of retirement—what your identity and purpose will be. Otherwise, your retirement might be "hollow," said Schlossberg, who is also a retired [University of Maryland](#) counseling psychology professor.

Others agree. "It is important for people to understand that retirement will be wonderful if the person has two essentials—much to live on and much to live for," said Mo Wang, a professor at the [University of Florida](#) and co-author of "Achieving Well-being in Retirement: Recommendations from 20 Years' Research." "Both financial planning and postretirement activity planning are important for achieving a successful retirement life."

And Kevin O'Laughlin, a financial planner with Affiance Financial in St. Louis Park, Minn., shares that point of view. "Are you retiring to something, or from something?" he asked "Taking stock of your habits, network, time, and interests outside of the workplace is a key to assessing how to proceed. If they all point back to your job/career, you might think twice about 'pulling the ripcord' all at once."

Retirement Benefits and Your Small Business

Retirement plans attract workers and inspire company loyalty. MarketWatch's Robert Powell talks with three small-business experts about the types of plans that business owners should consider and why the MyRA product may not be the best solution.

Best time to build a psychological portfolio

So what's the best time to work on your psychological portfolio? Well, ideally—just as with your investment portfolio—it would be long before your retirement date.

To be sure, that might be hard to do during your working years, according to Schlossberg. But what is doable is reminding yourself of the need to have a purpose and identity in retirement. You don't want to be taken by surprise by this need, she said.

What else do you need to contemplate when building a psychological portfolio?

One, don't be surprised if your retirement doesn't turn out as you expected or planned. "I tell clients that their view of retirement is like looking out a blurry windshield," said Tracey A. Baker, an executive vice president with CJM Wealth Advisers, in Fairfax, Va., and co-author of "Navigating Your Health Benefits for Dummies: A Reference for the Rest of Us!" "It just takes a little time for the fog to settle."

Schlossberg, for her part, likens retirement to a career change, or graduating from college—where some graduates are quite clear about what they want to do in life, while others travel down a road of twists and turns.

According to Cathy Seeber, a principal and senior financial adviser with Wescott Financial Advisory Group in Philadelphia, pre-retirees need to understand that the word "retirement," which has a history of negative connotation, no longer applies. "It is simply just another stage in the life cycle and far, far from the 'home to nursing home,'" she said. "There is so much in-between. You have to wrap your head around that in order to set yourself up mentally."

One question that can help figure out what to do in retirement is this: "Ask how you can reinvent yourself in retirement," said Marta Shen, a financial consultant with Spring Street Financial in Atlanta. "You can no longer define yourself by what you do," she said.

And Seeber said pre-retirees need to give themselves permission to retain their own interests and maintain a lifestyle suited to them. "Decisions they make at this stage don't have to be permanent but it doesn't hurt, like any stage in planning, to think about the future," she said.

Others share that opinion. "Create a bucket list," said Shen. "It'll give you things to plan for and look forward to."

Achieve well-being

In his paper, Wang noted that there's plenty you can do to "achieve well-being in retirement."

Specifically, he recommends maintaining good health, actively engaging in financial planning for retirement, having realistic estimates of longevity, being clear on one's financial goals in retirement, and participating in paid employment after retirement—all of which are realistic ways of achieving fiscal well-being. In addition, it is important for individuals to take personal initiative to improve financial literacy and work-related skills and knowledge.

Of course, achieving well-being is not without its challenges. "I always caution my clients as they prepare mentally for retirement to recognize there will be unknowns and to embrace that," said Baker. "For example, no client can really know what their cash flow needs will be in retirement. Even the most diligent budgeters can't plan for the impact of additional time availability. This is especially true for younger retirees who are not impeded by health and age."

To help people learn how to manage their time in retirement, Baker asks her clients "to paint a picture" of the things they would like to do if time was no longer an issue. "These are often not financially taxing events but rather tend to be family- and community-based," she said. "It's very helpful to get clients to look forward to activities and have a plan as opposed to entering with nothing to look forward to."

The body and the mind

Wang also noted in his paper that it's important to achieve physical well-being in retirement. "Having good health behaviors and habits is critical for their physical well-being in retirement," wrote Wang, "In addition, engaging in certain levels of physical and/or cognitive activities on a daily basis will also contribute to maintain physical well-being."

And Wang noted that it's important to achieve psychological well-being in retirement. Coordinating retirement timing with one's spouse and striving to maintain good marital quality are critical to that well-being, he wrote.

Plus, actively engaging in retirement planning before retirement, participating in career-related bridge employment, volunteer work, and leisure activities after retirement, are also beneficial in maintaining and improving one's psychological well-being, Wang wrote.

"Proactivity and adaptive self-management skills are valuable at any career stage, but become essential during retirement transition," he wrote.

Indeed, retirees-to-be should develop good understanding about themselves, especially knowing whether they are good at adapting to significant life changes. "If they are not in the adaptive side, then these planning activities should start much earlier in their life," Wang said in an interview.

Boots-on-the-ground advice

Financial advisers have their own boots-on-the-ground advice for how pre-retirees can prepare for mentally for retirement, some of which speaks to the theories put forth by Wang and Schlossberg. According to Todd Stanard, a managing principal at Lincoln Financial Advisors in the greater New York City area, mental preparation for pre-retirees can take two forms.

First, they can prepare for the shock and awe of being alone, Stanard said. "Every major event in our lives has close friends and family celebrating and perhaps lingering around well after the event," he said. "However, once retired, retirees find themselves completely on their own. Many fill voids of work with hobbies and charitable endeavors to replace the void of the workplace."

According to Stanard, the mental preparation for the shock and awe can be completed with a well thought out plan for how to spend your newly found time. This plan should include specific goals for activities involving social interaction and physical fitness, he said.

Another type of plan can help overcome the other aspect of mental preparation retirees can experience. "A solid financial plan can overcome the desire to overspend immediately on the long-awaited projects like redoing a kitchen, traveling the world, spoiling the grandchildren and children," he said. "Retirees often find these projects facing them every day and through mental preparation of when and how to spend their money they could have a relaxed and proactive lifestyle."

Seeber also said pre-retirees, as part of their mental preparation for retirement, should contemplate where to live in retirement. "We are heading back into the age of village or communal living when thinking about downsizing," she said. "If they don't want to leave their community, they should learn the best way to 'age-in-place.'"

Additional resources:

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[Putting off tomorrow to do what you want today: Planning for retirement](#)

[Thinking About Retirement? Time to Think About Your Psychological Portfolio](#)

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