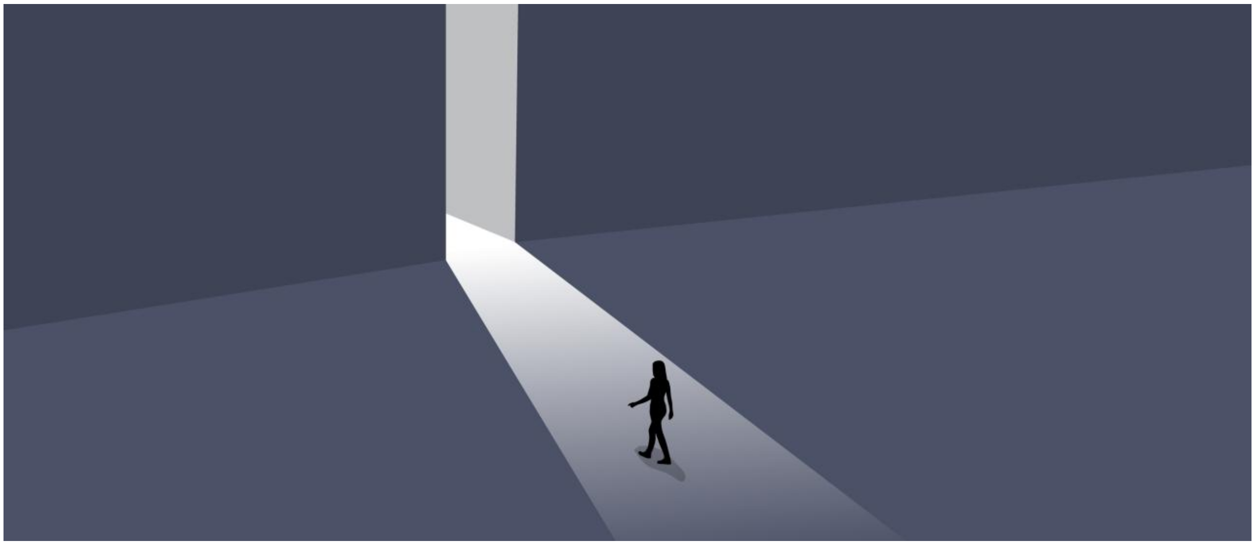
The Last Days of Executives: Retirement and Beyond



By Jose-Luis Alvarez , INSEAD

How to plan for the end of the professional life and a smooth transition to retirement.

Negotiating the final years of active work is a difficult period of transition. It's a time of unprecedented uncertainties that can elicit strong emotions associated with losing a long-held occupational identity.

What's more, the boundaries of these "last days"* are changing. Life expectancy has increased by **two to three years every decade since 1840**, while huge investments continue to pour into research on age-related treatments. As a result, living to a 100 or even longer will soon be a realistic expectation for those living in wealthy nations. Age is no longer a reliable indicator of executive competencies, attitudes and skills. This should all be great news as it promises additional years of rewarding and professional opportunities. Yet, legislation and corporate practices are failing to keep up with the reality of us all living longer.

This means many professionals may have to work longer to make ends meet and may not have the financial resources to retire comfortably. Executives, however, have the economic privilege to plan for these last days of professional life, and it’s important that they do. This is a period of multiple transitions in quick succession: a final period as a full-time employee; post-retirement roles as an entrepreneur, investor, advisor or philanthropist; time spent pursuing hobbies; or, most likely, a mix of the above, all while fending off the realities of ageing.

It is clear that this is an area of increasing concern, given the growing number of conversations I’ve had with INSEAD alumni and senior executives attending our programmes. The good news is that executives should already possess the competencies required for post-retirement planning, namely, crafting a strategy and implementing it with discipline.

Here are some thoughts and strategies, as well as reading suggestions, that can help.

1. Begin with the end in mind

Planning for the last days is not possible, and wouldn’t have the same sense of urgency without a tentative (but quite literal) deadline. Dealing with the finite number years you have left is not easy, but executives should develop **robust hypotheses** about when the end might happen. There is a high degree of randomness when it comes to physical decay, and **dying is a messy business** compared to the relatively predictable early years. However, there is data out there to help make some informed guesses, such as country life expectancy (congratulations if you are Singaporean, or Spanish), parental health, personal lifestyle choices and more.

This forecasting is not simply morbid musing on your finite existence but a case of financial prudence. If you want to be comfortable and enjoy your retirement, it is vital that you know (roughly) how many years you will need to finance.

2. Plan early and plan for the worst

The likelihood of being hired for a good senior role after the age of 55 is slim, so you need to start planning for the last transition in your mid-40s at the latest. That means thinking about when to retire, what regular income you would like to have in retirement, how much you need to have saved to achieve that income and how to actually save that amount.

As an executive, you should have a good grasp of numbers and already be aware of the dangers of relying too much on public pensions – as underlined by current trends which indicate a reduction in public pensions either directly or via inflation. This probably means you've already considered and subscribed to a private pension scheme. Despite your foresight, you should be aware that as an executive with above-average wealth, higher taxes may affect you, even after retirement. Make sure to take a conservative view when doing your calculations.

Don't forget to factor in the possibility of an unwanted early retirement. The sad reality is that organisations often let go of senior employees in favour of younger staff who are perceived to have more stamina, ambition and updated skill sets, while costing less in terms of wages and pension liabilities. Remember the rule: no one (not even you) is indispensable.

One way to take ownership of this sometimes painful reality is by taking the initiative: develop a successor who will honour your legacy and leave when it is most convenient for you, even if that's before you're pushed. Surprise others, do not be surprised!

3. Stick to what you're good at

Managers in the last days of their career often ask me for advice on a change in occupational direction. An increasing number are interested in becoming a coach. While this is an appealing role, the field is crowded and the job requires specific education, practice and skillsets, not just experience and a willingness to help others.

A similar argument can also be made for board directorships. This role demands up-to-date specialisation, and seats on interesting boards are scarce. Additionally, the trend towards younger directors is growing.

It is only through actual experience that you can really know whether these types of position are right for you. If you are considering such a transition, try and explore the pros and cons of such roles well before retirement. The last phase of your professional life is no time for amateurism. Plan your retirement by building on activities that you excel at. Aim to finish strong.

An alternative to becoming a coach or sitting on a board is entrepreneurship, and this is something you can start before leaving full-time employment. Develop a business idea that matches your existing skills and interests and does not put a substantial part of your savings at risk. Take advantage of cheap loans and look to share resources (and risks) with a friend or former colleague. The aim is not asset building but to generate cash flow and mental stimulation.

4. Stay healthy, active and connected

Despite the friction, stress and frustrations of managerial life, many, if not the majority, of the executive education participants I meet at INSEAD love what they do. However, this enjoyment only serves to heighten the sense of loss once their working lives are over. As one former executive told me, "When you retire the phone is quite silent, and that the email inbox is pretty empty – I miss them dearly."

Don't succumb to loneliness in retirement. According to ***The Good Life and How to Live It***, having friends, even just acquaintances, is better for your health than not smoking. While younger generations may benefit from having many acquaintances, close friends are more important to older people. As famed British anthropologist Robin Dunbar said in a **recent interview**, going to a bar with good friends is better for your longevity than going for a solo run.

While you will need the close support of friends and colleagues who share your experience and age, you should also stay connected with people from different age groups. When thinking about joining associations, clubs and organisations, look for those those with members of all ages. It's important that you don't silo yourself generationally so you can keep touch with where the world is going ideologically, culturally and technologically.

Sure, age might slow you down, but it doesn't need to stop you completely. Research shows those who exercise have about **50% lower mortality rate** than those who lead a sedentary life. Furthermore, consuming less calories and protein can boost your life span by as much as **20 percent**.

5. No regrets

In his **eight stages of psychosocial development**, pioneering psychologist Erik Erikson concluded that individuals aged 65 and older often experience a struggle between **ego integrity** and despair. They feel both satisfaction with their achievements and despair about the opportunities not taken and dreams not pursued.

While I suggest a “stick to what you are good at” entrepreneurial baseline strategy, make sure it is not at the expense of your dreams. If you really want to try a different type of activity or take your personal life in a different direction (**divorces after 60 are increasing**, especially those initiated by women) the final quarter of your life is really your last opportunity. As a recently retired former CEO explained to me, “I am doing things that are so different from what I had done for decades; it is like having a second life!”

Embrace the adrenaline rush that comes from stepping out of your comfort zone, and don’t find yourself regretting the professional routes or personal explorations not taken. Just be aware that taking those divergent paths may have required that you began your financial planning even earlier in your career.

6. Learn from others

Managing ***Retirement, Romance, Wrinkles, and Regrets*** – to use the subtitle of one of my favourite books on this topic – requires work. Read about the last days of executives, have conversations with those who are already there and find moments for reflection and planning. These transitions are like nothing you have experienced before.

This title is inspired by **The Last Days of Roger Federer and Other Endings, by Geoff Dyer. Caveat: this is is not a book about career finishes in management, but about endings in literature, movies and sports.*

Find article at

https://knowledge.insead.edu/career/last-days-executives-retirement-and-beyond

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