

9 Ways to Test-Drive Your Retirement

By Dr. Joseph Coughlin, Director of the MIT AgeLab

Shaking his head and looking off to some distant point, a recently retired 62-year-old friend of mine remarks, "It just freaks me out." Somewhat amused, I ask, "What does?" His head whips back around toward me and he exclaims, "Time! I never knew how much time I would have in retirement! I wanted freedom from work, but now finding new stuff to do is a full-time job." A friend of his who was listening simply laughs and remarks, "I'm sure that will be no problem for me." He looks away again and dryly replies, "You just wait."

When Making Major Purchases, We Often Test or Experience Products Before Buying Them

Whether it's a new car, a new home, or even a new outfit, we usually have the chance to drive it, walk through it, or try it on before making the decision to buy.

However, there is one major purchase in life that's unlike any other: retirement. Yes, despite the language around planning for or preparing for retirement, you're actually buying retirement.

Retirement is arguably the single largest purchase people make, yet very few have an opportunity to sample it beforehand.

How Preparing for Retirement Is Different From Almost Every Major Financial Decision and Life Stage

When choosing a college, you typically take a well-choreographed tour. According to the Education Data Initiative, a state school may cost an average of about \$104,000 for a four-year degree, while a private university averages about \$223,000 for a bachelor's degree.¹

According to Kelley Blue Book, the average cost of a new car is nearly \$50,000.² But before plunking down the check, you take your dream wheels for a test drive or at least kick the proverbial tires. It's a ritual of the buying process.

Even when planning a wedding, Fidelity reports the average cost for celebrating nuptials is about \$30,000.³ But before you buy, you tour venues, try on dresses, pick flowers, and often get to taste the meal before buying.

Of course, the big one is buying a home, which averages a cool \$500,000-plus, per St. Louis Fed data.⁴ Before taking on a mortgage, you do a walkthrough, open closet doors several times, and take several spins around the neighborhood. The broker may even offer you warm cookies to feel at home in your future kitchen.

The Selling Price of Retirement

Fidelity's recommendation is that by age 60, individuals should have at least eight times their annual salary saved for a comfortable retirement.⁵ For someone earning \$100,000 annually, this would mean having \$800,000 saved.

It's quite amazing if you think about it. Saving nearly a million dollars requires significant discipline to delay or deny many of life's pleasures and necessities in order to save, invest, and plan for something that's never been seen.

Unlike a New Car That You Can Take for a Test Drive, Retirement Is Completely Unknown Territory

There's also no warranty on buying a lemon retirement, where the return on investment may fall far short of expectations. And, like my friend above, buyer's remorse could last years—maybe even decades.

Preparing for retirement is about far more than financial security. It's a major life transition that requires careful planning and consideration to ensure that you're both financially and emotionally prepared for this new life stage.

Here Are Nine Ideas to Take Your Dream Retirement for a Test Drive

Some are easier and more affordable than others. You can start small or try a variation.

1. Start retirement-shopping early. Like the magic of compound interest, it takes time to accrue a full vision of what life after work might be like.

2. Try living on what's likely to be your fixed retirement income
3. If you are planning to age in place, spend more time at home
4. Connect with groups or other people involved in the hobbies and pastimes you plan to pursue
5. Travel to different destinations to get a sense of what retirement living there might be like. Live as you might every day, not as if you were on a luxury vacation.
6. Rent a home where you think you might wish to live
7. Considering a 55-plus community? Arrange an extended stay
8. Work a gig job or volunteer on weekends
9. Connect with retirees who are living the lifestyle you envision

By speaking with retirees who are already living the lifestyle you think you would like, you can gain valuable insights and advice on how to plan and prepare for retirement. You can learn about their experiences, challenges, and successes to help you make informed decisions about your own retirement.

But beware! Much like buying a car that turns out to be a lemon, few of us are psychologically prepared to admit to others that we were taken and made a bad buy. Like me, you might learn a lot in a relaxed conversation with friends.

Next Step

In the next month, pick one of the nine ways and test drive an aspect of your retirement.



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Sources:

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² New-Vehicle Average Transaction Prices Drop to Lowest Level in nearly Two Years, According to Latest Kelley Blue Book Estimates, Kelley Blue Book, 4/15/24

³ How much does a wedding cost? Fidelity, 2024

⁴ Average Sales Price of Houses Sold for the United States (ASPUS), Federal Reserve Bank of St. Louis, 5/23/24

⁵ How Much Money to Have Saved for Retirement by Age 60, US News & World Report, 9/22/23

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