

3 rules for a happy retirement

Research reveals it's how you manage your time and money that counts, not just how much you've got.

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NEW YORK (MONEY Magazine) - What can you do to ensure you'll be happy after you retire? The answer might seem obvious: Just sock away as much as you can in your 401(k). The bigger your nest egg, the happier your retirement will be, right?

Not quite. Having a bundle of money certainly helps, but not nearly as much as you might think, according to a growing body of research on retirement satisfaction.

In one study last year, for example, University of Wisconsin–Milwaukee economist Keith Bender found that an extra \$10,000 of wealth increases the odds that a retiree will rank among the most satisfied by less than 1 percent.

So how can you boost the likelihood that you'll have a fulfilling retirement? Insights from "happiness researchers" suggest the following strategies can help.

Create a steady income

Retirees with a traditional pension who get a monthly check for life have been found to be more content than those with the same level of wealth but only a 401(k). "People feel more secure when they don't worry about outliving their money," says Stan Panis, a manager with Deloitte Financial Advisory Services.

And retirees who have both a pension and a 401(k) are even happier, buoyed by the security of a guaranteed income plus a pool of cash to pay for unexpected expenses. Traditional pensions are going the way of the Nehru jacket, but you can create the equivalent of one on your own.

How? By investing a portion of your 401(k) or other savings in an "income annuity," which will pay you a guaranteed income as long as you live. You can get price quotes from several annuity issuers, as well as their financial strength ratings, at a site like Immediateannuity.com. [See more in a recent Ask the Expert column, "[Income for life](#)."]

Keep active -- to a point

Staying engaged in a variety of activities also increases your shot at an enjoyable retirement. Urban Institute economist Barbara Butrica found that retirees who both worked and volunteered were 13 percent more likely to consider themselves very satisfied than those who didn't.

But you can't hustle and bustle your way to retirement nirvana. The boost in satisfaction trailed off for retirees who worked or volunteered more than 200 hours a year, and the positive effect seemed to disappear at 500 hours.

Motivation also mattered. People who worked because they needed the income, rather than for enjoyment, actually felt less satisfied about their retirement. The moral: Be careful that the activities you pursue don't become too much like, well, work.

Try to control your exit

Bender's work shows that people who left their jobs voluntarily were 30 percent more likely to be happiest in retirement than those who were pushed out.

One reason: People who retire on their own schedules have had a better opportunity to get their postwork finances in order. They're also better prepared psychologically. "If you're humming along and suddenly things don't work out as planned," says Bender, "it can be quite a shock."

You can't control whether you'll have to stop working because of ill health or a downsizing, which account for 75 percent of involuntary retirements. But while it's tough to think about, it pays to recognize the possibility and do some advance planning -- say, looking into your options for taking Social Security and getting health insurance to tide you over until you qualify for Medicare. Then, if you do get the boot, you won't be caught totally off guard.

A final, happy note: Studies show older retirees tend to feel better about their lives than younger ones. So if you've tried to improve your situation and it still isn't going well, hang in there. Chances are that life, like fine wine, will improve with age.