



## CFE Financial

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## Unbundling For Retirement

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Planning for retirement is more than a numbers exercise. While the numbers are definitely important, it's also vital to consider the emotional and psychological milestone that retirement represents. For those in corporate jobs or in partnerships or other business endeavor involving other people, retirement is not just the removal of full-time, active income generation. It's also a pivot from a prior way of life. To understand this in more detail – and to make the case for a more holistic approach to retirement planning – consider that there are four primary bundled compensation components of a corporate (or partnership) role:

- Income
- Benefits
- Socialization
- Fulfillment

Let's consider each of these pay package elements in the context of the retirement decision.



This component is the one that most easily comes to mind when planning for retirement. For most employed people, income is slated to stop or at least decline when full-time, active employment stops. However, income is also an ongoing necessity to fund retirement when taken in the most basic sense of the word – funds coming into the household. Thus, while income may seem easily understood, I would argue that it's often oversimplified when thinking about retirement. For instance, there are several income streams that could be used to cover retirement spending apart from full-time, active corporate employment, including:

- Part-time work (yes, this still counts!)
- Business Income (e.g., as part of ongoing ownership or an earn-out agreement)
- Rents from real estate or other income-producing assets
- Stock dividends
- Bond/CD interest
- Royalties from intellectual property
- Capital gains or asset sales from existing assets (including retirement account drawdowns)
- Annuities (including Social Security)

Any or all of these income streams can be used to replace a prior full-time salary. Figuring out the combination that is most likely to work in a particular circumstance is one of the first steps to unbundling the corporate package and envisioning a life beyond full-time work.



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Another component of the corporate package that is usually top-of-mind for potential retirees is benefits, mostly focused on health or medical insurance. In the U.S., health insurance is a necessity for anyone worried about the costs of medical services or the possibility of having to go to a hospital or doctor. Effectively, this means anyone considering retirement should rank health insurance as a priority planning topic. But it's not just health insurance which may be important for a specific situation. Other benefits such as dental insurance or life insurance may be needed post-employment as well. Whatever the count, it's critical to unbundling a corporate package to understand how these benefits will be replaced.

There are two pieces of good news here. The first piece of good news is that not all parts of a benefits package need to be considered. For instance, disability insurance is meant to replace part of a paycheck if a covered event happens and the person is unable to work. Without the paycheck or work, though, there is no need for this income replacement insurance. Other components such as vision insurance or adoption benefits may also be deemed of lesser importance in a retirement scenario. The second piece of good news is that the past ten years or so have brought more options for medical insurance separate from employment. Whether through Affordable Care Act plans or other private insurance, access to health insurance is now more in reach for retirees of virtually any age. Further, by age 65, most potential retirees will have access to Medicare for their health insurance. Other independent providers are readily available for dental insurance, life insurance, and other parts of a benefits package that may need to be replaced.

While it can be daunting – and more expensive in pieces – to consider everything that a corporate benefits package provides, the truth is that these benefits are more accessible today than ever before for the retirement unbundling process. It may take some work to gather and evaluate all of the available options for each benefit, but rest assured that benefits are generally replicable in some form for retirement.



Now we arrive at aspects of the retirement process that are least understood. Less tangible than income or benefits, opportunities for socialization in a corporate setting are no less real as part of the overall package. These last few months of our global Work-From-Home experiment have demonstrated clearly that while productivity may be improved by eliminating travel and casual workplace conversations, our individual need for a social environment cannot be as easily eliminated. Zoom and other online conferencing solutions may be poor substitutes for in-person interactions, but they have been needed nonetheless to facilitate discussions and

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provide at least a window of connection with our fellow co-workers and clients. Some may prefer more connection and some less, but its complete absence carries its own risks.

Socialization in retirement can be a major problem or it could not be an issue at all. To me, this spectrum depends on the extent to which the potential retiree has accounted for this component of their corporate lifestyle in their retirement planning. Apart from the numbers, this is an area in which I counsel clients to do a lot of research prior to pulling the plug on corporate or business employment. The questions will be as varied as each of our individual situations, but they all boil down to the retirement axiom: retire to something, not just from something. Part of this planning will involve the other members of the family team who will be going through the retirement process alongside, but it could also involve friends, coworkers, and new relationships picked up to fill the void where full-time colleagues used to reside.

Be proactive and find opportunities for socialization in retirement prior to the retirement time itself. Make this as important a part of retirement planning as accounting for income and benefits post-retirement.



Lastly, an important and often overlooked aspect of retirement planning is the need for fulfilling or meaningful activities or even work (paid or unpaid) in retirement. As our life expectancies stretch out further, many retirees are finding that they have more years—if not decades—of retirement ahead of them than were available to their parents or grandparents. The case for finding a way to make this time meaningful can best be made by considering what a long stretch of time feels like without meaning. Fulfillment is a necessary part of holistic retirement planning, encompassing both the emotional and psychological aspects of retirement!

This fulfillment will take on many forms and will be highly specific to the individual, but it's no less important for the lack of a consensus answer. What is especially confusing about this part of the typical full-time corporate package, though, is that it's not always been part of the typical full-time corporate package. Certainly, the COVID pandemic convinced many workers that they were not finding fulfillment in their prior employment, leading to a phenomenon known as the Great Resignation. However, there is a difference in whether a person finds fulfillment in their job or business role and whether they find fulfillment in their retirement. The reason comes down to a simple question of ownership. If anyone, who owns the responsibility for creating work

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roles that are fulfilling? Ultimately, this will need to be the employer – or at least, the employer in partnership with the worker. On the other side of retirement, though, who owns the responsibility for ensuring that the retirement timeframe is fulfilling? That is no one if not the retiree themselves.



In aggregate, there are definitely lots of moving parts and considerations in planning for retirement! However, I think it's safe to say that retirement planning is a necessary and even desirable part of any corporate or business employment. To me, thinking about unbundling all of the elements of a current job package for a time when that package will no longer exist allows for a more structured approach to what a replacement life will look like – and can even hasten the day that it arrives. Holistic retirement planning allows us to flesh out that post-employment time more fully and understand how it will be lived in a way that a pure numbers-focused plan simply cannot. Unbundling is the key to avoiding the need to 'un-retire' because that need can arise from emotional or psychological reasons, not just financial ones.

Fundamentally, there are no guarantees in life or longevity. We do not know how long we have to live, and unlike is often the case with our money, we spend our time on a daily basis with few reference points to how much of it we actually have left to us. Our time may be worth more or less than we think it is – but I suspect that it's generally worth more, especially as we get older. Alternately, we trade our time for money that could be worth less than we think if we will not have the opportunity to spend it or benefit our loved ones. Further, the way we spend our money and our time is ultimately an expression of our values, whether intentional or not. I believe that all of the work to unbundle a corporate package to plan for retirement enables a more introspective look at how we will be able to fund, support, and spend our time post-retirement. In the end, this allows us more scope to focus on what those expressed values should be.



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