

RETIREMENT

READY OR NOT, HERE IT COMES

BY JOHN SPOTO



Americans are living and working longer than ever before. The result is a current workforce comprised of multiple generations, each at different points in the career life-cycle, working side-by-side.

At one end of the spectrum are the Millennials, the first group to come of age in the new millennium, now in their 20s and early 30s and typically in the formative stage of their careers.

At the other end are the Baby Boomers, now in their 50s and 60s, who are planning or have already begun their exit from the workforce.

Situated squarely in the middle is Generation X, the roughly 50 million people born from 1965 through 1980 who are now in their mid-30s to late-40s and often firmly established in their careers.

Because this 30- and 40-something group is poised to move from a supporting role to top leadership positions, they have begun to attract serious attention. While popular literature likes to portray sharp “personality” differences between Gen Xers and Baby Boomers, recent research paints a more nuanced picture. Studies show that employees across the two groups exhibit more similarities than differences, and that the differences that do exist are attributed to situational factors, such as age, family responsibilities, and financial commitments, rather than generational differences.

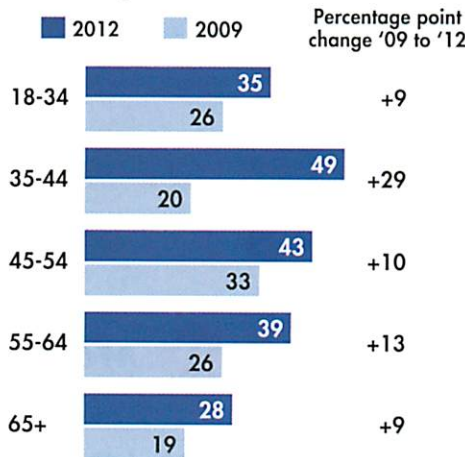
In short, the factors that play important roles in achieving success and happiness in life are remarkably similar across generations.

There is a clear difference in attitudes between the groups when it comes to retirement readiness, however. According to a 2012 Pew Research study, concerns about retirement finances have increased markedly since 2009 in every generation, and the most dramatic change occurred in the 35 to 44 age group.

The number of respondents in that group

RETIREMENT WORRIES SURGE SINCE 2009

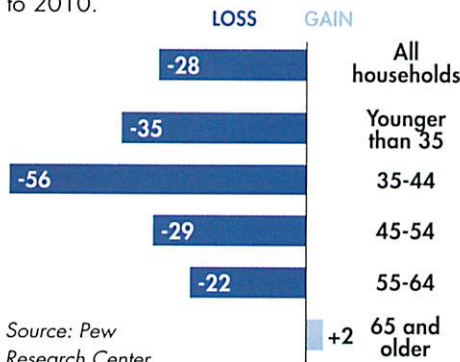
Percent in each age group who are “not too confident” or “not at all confident” they will have enough to live on in retirement.



Note: Results from 2012 based on total sample, n=2,508; results from 2009 based on total sample, n=2,969

HOUSEHOLDS HEADED BY ADULTS AGED 35 TO 44 LOST MOST WEALTH IN PAST DECADE

Percent change in median wealth from 2001 to 2010.



Source: Pew Research Center

concerned about funding retirement grew from 20 percent in 2009 to almost 50 percent

in 2012, making this the most pessimistic of all current working groups. The study suggests that they were hit hardest by the 2008 recession, as home values plummeted along with whatever small balances they had been able to accumulate in savings and investments.

Although retirement may be decades away, their concerns are well-founded. Only 40 percent have even tried to figure out how much they will need to save, only one-third have saved at least \$100,000, and fewer still have a formal plan to help them achieve a secure retirement. So the real challenge is translating worries and awareness into action.

How much an individual or couple needs to save each year to prepare for retirement depends upon several factors: current retirement savings, other expected sources of retirement income (e.g. Social Security, employer pension, rental income), the number of years until retirement and the desired lifestyle in retirement.

Two of the most important variables an investor can use to build wealth is the age at which the savings program begins and the savings rate. Therefore, for people with 25 or more years until retirement, time is a powerful lever to help them build their nest egg. For people in their 30s and 40s who have not yet accumulated a substantial retirement account, it would be wise to begin saving at least one-third of their gross (pre-tax) income annually. If they delay saving until their 40s, the annual required savings jumps to over one-half of gross income (an almost impossible feat in most cases).

Most people don't need a survey to tell them what they already know. They will need to spend less, save more, or work longer to achieve the kind of retirement lifestyle and security they want. What they need to do is to turn that knowledge and the worry that goes along with it into action. It's not easy but it's worth it. **MVB**