

Financially Speaking

Not Planning For Retirement Goals Can Be A Sure Way to Not Achieve Them

Some of the hardest conversations that I have had with people over the years are the ones where I have to tell them that their retirement isn't going to look the way that they hoped. Maybe there are things that they can do to help get them closer to their goals – work longer, save more or downsize their house for example – but sometimes even that isn't going to be enough. The only way for them to stop working at any point is by drastically scaling back their lifestyle, which isn't typically the picture most have of their “golden years”.

Thankfully I haven't had to have that conversation very often as most people that schedule an appointment with a financial advisor are doing so because they realize that the only way to achieve their financial goals is by planning for them. My typical client has already been accumulating retirement savings or is young and predisposed to doing so. It is rare that someone comes to see me on the verge of retirement age without having prepared in some way for it.

I wish the same could be said about the average American.

According to 2020 Census data, fewer than half of working-age Americans have any retirement savings. And sadly, the statistics don't improve that much as people age. In fact, only 58.1% of people aged 56-64, those right on the cusp of retirement age, have any money in a retirement account. Every time I read a similar statistic I'm shocked by it but every analysis I have seen says something similar.

Of those who have saved, many haven't saved enough to meet their goals. According to a Fidelity analysis, at the end of 2022 the average retirement account held just over \$100,000. The most recent Federal data from the end of 2019 showed that the median baby boomer household only had about \$134,000 in retirement savings.

Not having enough saved for retirement can be a real problem. According to Social Security projections, someone retiring today at 65 can expect to live another 20 years. That is a long time to stretch retirement savings, if there are any.

Very few people today work for an employer that provides a pension so many depend upon Social Security for the majority, or all, of their retirement income. But Social Security was not designed to replace all of what someone was making while working. Payment amounts vary widely depending on work history and what age benefits are started, but the current average monthly retirement payment is about \$1800. That can result in a pretty tight budget if it is the only source of cash flow that someone has.

Even if Social Security benefits are enough to cover someone's regular living expenses it likely won't leave room for unexpected or bigger costs like vehicle replacement, home maintenance or medical bills. As a result, a meaningful number of Americans find themselves accumulating debt in retirement or feeling forced back to work. In fact, according to the US Bureau of Labor Statistics, nearly 11% of Americans over the age of 75 are projected to have a job by 2026.

There are a number of rules of thumb that can help you determine if you are saving enough to put you on track for the type of retirement that you want. And, with so many advances in technology, there are lots of on-line tools available that can give you a general idea of how close you are. Most employer retirement plans today will offer some sort of retirement

calculator on their website for example and I'd encourage you to use it if one is available to you. If you don't have access to an employer retirement plan a number of investment firms offer access to calculators on their website and can also be resources for setting up a retirement account of your own. Some of the ones that I like best include those offered by Vanguard and Fidelity.

If you find yourself in the position of feeling like you are behind in saving for retirement don't despair. It is never too late to start preparing and anything that you can start accumulating will certainly make a difference for you over time. Even if you can't save enough to attain your ideal retirement there are likely things that you can do to help make it more comfortable - work longer or do something part-time after retiring, delay starting Social Security to allow the monthly amount to grow, utilize equity in your home if you own it or look at less expensive alternatives if you rent, even consider sharing expenses with a roommate if you currently live alone.

No two retirements look alike but I can tell you from experience that putting together a plan for it is the most likely way to achieve the retirement that you are dreaming of.

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