

Don't be a Victim of the Retirement Crisis

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Don't Be A Victim Of The Retirement Crisis

If you think the United States has a retirement crisis, you are not alone. A recent survey found that 79% of working-age Americans believe the same thing. That percentage is up from 67% in 2020. When asked about their situation, more than half of Americans (55%) are concerned about their financial security in retirement.¹

The level of inflation we've all experienced over the past few years is taking a toll on the American psyche and how people feel about retirement. That same survey found that 73% of respondents said recent inflation has them more concerned about retirement.¹

Generation X is falling behind

For many, the perception of retirement insecurity may be an unfortunate reality. Some middle-class workers appear to be falling short of saving enough for retirement. According to the National Retirement Risk Index,

half of U.S. households are not expected to maintain their standard of living when they retire at age 65.²

Generation X, born between 1965 and 1980, is approaching retirement age. The vanguard of this group will begin turning 60 years old in 2025, but many may not be ready for what comes next. Unlike the Baby Boomers before them, Gen X is the first generation to mostly enter the workforce after the shift to company-sponsored retirement plans. While the typical Gen X household has an average retirement nest egg of more than \$243,000, the median household has only \$40,000 for retirement.²

Almost half of private sector employees—57 million Americans—do not have the choice to save for retirement at work. Some households say their retirement choices are limited without the consistency of automatic payroll deductions.²

Most Americans (87 percent) say leaders in Washington don't understand how hard it is for workers to save for retirement—up from 76% in 2020. Americans also want action to safeguard Social Security, with 87% saying Congress should act now to shore up funding rather than waiting for the future to find a solution.¹

What is being done

Congress passed the SECURE and SECURE 2.0 Acts over the past several years to help address the problem. Signed into law in 2019, the SECURE Act was the most substantial retirement legislation passed in over a decade. It contained critical changes to help investors better prepare for the future. Among other changes, the Act raised the Required Minimum Distribution (RMD) age and allowed first-time parents to take penalty-free withdrawals from their retirement accounts.³

To build on the popular aspects of the SECURE Act, Congress passed SECURE 2.0 at the end of 2022. The second Act included new RMD dates, higher retirement plan catch-up contributions, and more.³

While many of the provisions of the SECURE Acts are positive, they do not turn back the clock. If you are concerned about your situation, you may want to consider developing a strategy that considers your goals, time horizon, and risk tolerance.

Taking control

We have helped many clients to prepare for retirement. But before we help our clients develop a retirement strategy, we inventory their assets to help them see what their retirement might look like 20 or 30 years after they stop working.

Working toward a specific retirement goal can be motivating, especially if retirement is still a ways off. Fidelity Investments has developed a simplified model to help you assess your retirement strategy. According to Fidelity's guidelines, you should look to have set aside:⁴

- 1x salary by age 30
- 3x salary by age 40
- 6x salary by age 50
- 8x salary by age 60
- 10x salary by age 67 (full Social Security retirement age)

Of course, these are just general estimates. As Fidelity suggests, these targets help provide a starting point for building your strategy and assessing your progress.

Don't ignore Social Security

Social Security is expected to remain an important part of retirement income despite concerns about the program. As you consider your retirement, don't ignore the role Social Security can play in your overall strategy.

The maximum benefit in 2024 ranges from \$2,710 to \$4,873 per month, depending on retirement age. You can claim Social Security as early as age 62. However, by waiting until your full retirement age, you can receive 100% of your monthly retirement benefits. There's no correct

answer on when to start drawing benefits because everyone's situation differs. But don't overlook Social Security as you create your strategy.⁵

Closing the gap

If you feel like the retirement crisis will hit too close to home, there are actions you can take now that may give you more confidence in the future. Here are a few actions to consider:

- Work longer—delaying retirement for even a few more years can make a difference.
- Evaluate the pros and cons of drawing Social Security benefits closer to full retirement age.
- Put more away for retirement.
- Make sure your investments are working hard for you.
- If you are 50 or older, you might want to consider making catch-up contributions to retirement accounts.

We are here to help

If you have any concerns about whether you will be able to live the retirement you've envisioned, we are here to help. We work with individuals and families to create strategies designed for their specific needs. It can be overwhelming to do it yourself. If you would like to review your current retirement savings plans, please contact our office. We'd love to help.

¹National Institute on Retirement Security, February 2024.

²Forbes.com, April 11, 2024.

³Fidelity.com, November 20, 2023.

⁴Fidelity.com, February 14, 2024.

⁵SSA.gov, February 2024.