

Ill-Informed Retirees Are Beginning to Pay the Consequences

Nearly half of young workers have not started saving for retirement, according to a MetLife study; nearly one-third of Americans in the sixties admit they don't know how much savings they will need in retirement.

NEW YORK—(BUSINESS WIRE)—Despite repeated warnings that they need to save more—and to start at an earlier age—than their parents, nearly half of young workers and one-third of GenXers haven't even begun to plan or save for retirement, according to MetLife's recently released Employee Benefits Trend Study. Young workers between the ages of 21 and 30 are the most unprepared, with nearly half (40%) lacking retirement goals and/or savings. GenXers between the ages of 31 and 40 are also significantly behind, with nearly one-quarter (23%) admitting that they haven't started to save, and an additional 8% saying they have no retirement savings goals.

"Many young workers mistakenly believe that they can make up for a savings shortfall today at some yet-to-be-determined point in the future," notes Howard Kurpit, Vice President, MetLife Retirement & Savings. "As a result, they forgo the benefit of a long investment period and overlook the possibility that they will be downsized, disabled or self-employed at some point in their career. For most employees, even small contributions to a 401(k) during the early years can make a major difference in the size of the nest egg upon retirement."

Among all age groups, survey results show that the majority of full-time U.S. workers (64%) are either behind in their retirement savings goals, or haven't yet started saving. Particularly likely to be behind in retirement savings are women—23% of whom haven't yet started to save for retirement (compared with 15% of men)—and widows—26% of whom have no retirement savings goals and 70% of whom say they live "paycheck to paycheck."

"As more employers move away from offering company-funded pension plans and toward individual retirement savings vehicles such as 401(k)s and deferred income annuities, it's critical that people get an early start on saving for retirement—and that they invest in vehicles that meet their long-term needs," adds Kurpit. "Increasingly employers are taking an active interest in retirement education and in income distribution products, which guarantee a steady stream of income during retirement. For employers, a more financially secure workforce often translates into improved loyalty, retention and productivity."

Will the Well Run Dry?

Nearly half (49%) of full-time employees surveyed rated outliving their retirement money as a high concern—with women (55%) being more concerned than men (44%). However, nearly as many respondents (45%) have not factored their longevity into their retirement savings plans. Even those that have factored in

longevity are not safe—many underestimate how long retirement will last. For instance, most (59%) younger workers age 21 to 30 anticipate needing at least 20 years of income post-retirement, yet 66% plan to retire before the age of 60. According to the 2003 National Vital Statistics Reports from the Centers for Disease Control and Prevention, the average American 60-year-old can expect to live to be 82.3, and the average American 70-year-old can expect to live to be 85.

Of particular concern are those nearing retirement—39% of baby boomers in their 50s and 24% of respondents in their 60s admit they have never calculated how much income they will need in retirement.

“It’s alarming that longevity is a factor so frequently overlooked by individuals planning for retirement,” adds Kurpit. “Saving money is merely a first step. Individuals must also think about tangible goals and determine how much income is really enough to support their lifestyle during retirement years. As the average American lifespan increases, so does the risk of outliving the funds set aside for retirement.”

Savings Vehicles: Demographic Differences

Younger workers age 21 to 30 are less apt to save in general—only 6% own annuities (versus 11% of employees overall) and 62% participate in a 401(k) or other retirement plan (versus 70% of employees overall). Yet, nearly half (46%) are interested in having their employers provide them with access to financial planners.

The survey found that middle-age workers age 41 to 50 tend to have 401(k)s or other retirement plans more often than their counterparts (75% versus 70% of employees overall). And, interest in annuities rises with age—14% of 41- to 50-year-olds own one, whereas 18% of 51- to 60-year-olds and 27% of 61- to 69-year-olds own annuities.

Married respondents are more likely to have a 401(k) plan (73%) or an annuity (11%) than single respondents (67% and 9%, respectively) or those in domestic partnerships (60% and 9%, respectively). Respondents with children under the age of 18 were less likely to own a 401(k) plan (66%) or annuity (10%) than those without (72% and 11%, respectively).

Editor’s Note: No matter what the age, an Ancora agent is trained to optimize all of a family’s assets, bolster or create a savings program by simply repositioning assets, and create more income for retirement.