

When Can I Retire and How Much Do I Need To Do So?

By Bob Deitrick, CEO

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This quarter we intend to focus on how much you will need at your retirement and what is needed to attain this important goal. We will also focus on your kids and grandkids needs as well in this regard. And for those of you who are retired, or who are about to take the big leap from working every day, we will continue our discussion for you next month!

By the age of 50, my friends, your golden years are fast approaching - be it as it may for better or for worse... So, to ensure financial security to retire by the age of 66, Steven and I suggest that you strive to have 8 to 10 times your current salary saved by the age of 60.

Are You on Track? - Are Most Americans on Track?

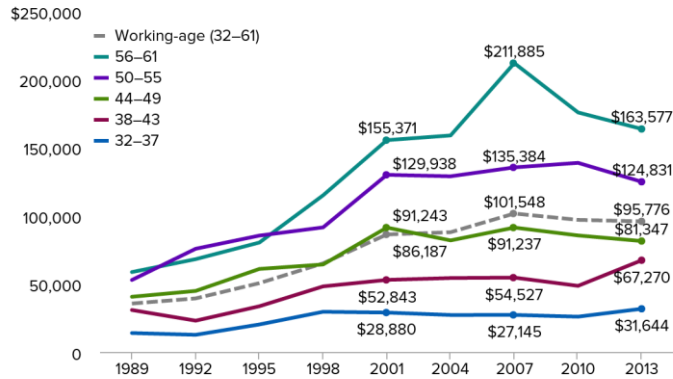
Melancholically, most American families focus little on their own retirement. Younger Americans have even less stashed away. According to a report from the Economic Policy Institute (EPI), the mean retirement savings for a family in their mid-30's is a only \$31,644. However, many families have zero in savings and since super-savers (our clients) pull up the average, the median (denoting the value lying at the midpoint of the distribution) savings at the 50th percentile is a better gauge. Unbelievably, the median American family between the ages of 30 and 35 has saved a paltry \$480 toward their own retirement.

How much should you or your kids have saved by the age of 40 for this critical goal? To be financially ready to retire by age 66, we at PFP recommend that you save 3 to 4 times your salary by age 40. This is not impossible thanks to compound interest and to the extent you begin to save early on. The simplest starting place to contribute to is your 401(k). If you don't have a retirement plan at work, consider other tax-advantaged accounts for retirement - such as a traditional IRA, a Roth IRA or myRA. We at PFP can assist you with these options.

According to the same report from the EPI, Americans have much catching up to do. The average retirement savings of a family between 50 and 55 is only \$124,831 and for families on the brink of retiring between ages 55 and 60, the mean amount saved for retirement is only \$163,577. This is not enough. But these poor numbers understate today where most Americans are with respect to their own retirement. Many families have zero in savings. "Super-savers" - our clients - pull up the average. Again, the median savings - the 50th percentile - is a more effective gauge than the mean. The median retirement savings for families between the age of 50 to 55 is only \$8000. For those between 55 and 60 - it's a meager \$17,000. On the first day that one-half of all Americans retire, at the age of 66, they have a meager \$46K in an account earmarked for their own retirement. If it were not for social security, these Americans would be indigent in their retirement.

Retirement savings have stagnated in the new millennium

Mean retirement account savings of families by age, 1989–2013 (2013 dollars)



Note: Retirement account savings include 401(k)s, IRAs, and Keogh plans.

Source: EPI analysis of Survey of Consumer Finance data, 2013.

Economic Policy Institute

***So, how do you accomplish having 8 to 10 times your salary saved by age 60?
We at PFP suggest following these 6 steps to get you and your nest egg there:***

- 1. Contribute as much as you can afford to your tax-advantaged retirement savings account, such as a 401(k) or deferred comp plan. Saving pre-tax is a sagacious strategy.***
- 2. Automate your own contributions. Have your employer set up a payroll deduction plan or have your money taken out of your checking account and sent to a retirement account. You'll never see the money and you'll learn to live without it. You can't spend money you never see.***
- 3. Pay yourself first! This is the cornerstone of smart investing. Have Steven set up an ACH plan to fund your own non-qualified account to pay yourself first to build your nest egg.***
- 4. Increase your savings consistently every 6 months, at the end of each year or when you get a raise. Set up auto-increase so you won't forget to increase your contributions each year.***
- 5. Invest in more than just your retirement plan. Enrolling in your 401(k) is a solid start, but not enough. We recommend considering alternate vehicles. We can help you set up a Roth or a traditional IRA, a health savings account or a non-qual account as mentioned above.***
- 6. Create a well thought out investment strategy consisting of stocks, bonds, and cash.***

Our next seminar will be held July 19th at Eddie Merlots at 6:15 p.m. We will focus on Retirement Planning and Social Security and we encourage you to bring a guest or your spouse or both. RSVP to Steven Morgan. This seminar will be invaluable for all attendees.

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