Money Can’t Buy Happiness - But it can fund a secure retirement

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City & Shore Magazine PRIME

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Recommended Citation
Friedman, Robyn A., "Money Can’t Buy Happiness - But it can fund a secure retirement" (2018). In the News. 2785.
https://digitalcommons.theamericancollege.edu/news/2785

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Money Can’t Buy Happiness
But it can fund a secure retirement

By Robyn A. Friedman

When you think about your retirement, what do you envision? Traveling the world? Spending time with kids and grandkids? Lying on a secluded beach sipping a piña colada?

Unless you’ve stashed away a sufficient nest egg, you might find yourself looking for a part-time job instead.

The statistics on saving for retirement are downright scary, especially considering that 10,000 Baby Boomers turn 65 every day. According to Fidelity Investments, a 65-year-old couple retiring this year would need $280,000 to cover healthcare and medical expenses alone throughout retirement. That figure excludes long-term nursing care or rehabilitation, by the way.

According to the Employee Benefit Research Institute’s 2018 Retirement Confidence Survey, only 17 percent of workers surveyed are “very confident” that they will have enough money to live comfortably in retirement. Among retirees, only 32 percent are very confident.
More troubling statistics from the Transamerica Center for Retirement Studies:

- Baby Boomers have saved a median $164,000 in all household retirement accounts — an amount that clearly will not support two or more decades in retirement.
- Approximately three in 10 workers have dipped into their retirement accounts.
- Many workers lack emergency savings that could help cover the cost of a major financial setback, such as unemployment, medical bills or home repairs. Baby Boomers have only saved a median of $10,000 for emergencies.

“There definitely are a lot of underfunded Baby Boomers who are getting ready to retire or who have just retired who don’t have enough saved,” says Jamie Hopkins, co-director of the Retirement Income Program at The American College of Financial Services. “It’s not just the amount of savings, but many are retiring too soon and not making smart decisions about when to collect Social Security.”

Not to worry. It’s not too late to shore up your retirement accounts. Here’s what you can do now:

Stop procrastinating. Save as much as you can. Many financial planners recommend saving at least 10 to 15 percent of your income for retirement — and that should have begun in your 20s. There’s no magic number on how much you need; a better approach is to determine how much income will support your lifestyle in retirement. Consult a financial advisor for assistance.

Estimate your needs. Calculate your future expenses and determine how much you’ll need to save to generate sufficient income to cover those costs. Hopkins says a general rule of thumb is to plan on needing at least 60 to 80 percent of what you were making prior to retirement to maintain your standard of living post-retirement.

Delay Social Security. According to the National Bureau of Economic Research, delaying Social Security by just three to six months has the same effect on retirement as saving an additional 1 percent of your salary a year for 30 years. Many financial planners advise waiting as long as possible to claim Social Security in order to maximize your monthly benefit.

Delay retirement. By working even just six months or a year longer, you’ll be able to stash away more money for retirement.

Don’t retire at all. According to the Transamerica Center for Retirement Studies, more than half of workers (53 percent) expect to retire after age 65 or don’t plan to retire at all, and 56 percent plan to continue working at least part-time in retirement. Among them, 83 percent cited financial reasons for doing so.

There are plenty of online calculators to help determine if you’re saving enough. AARP offers one that’s easy to use at aarp.org/work/retirement-planning/retirement_calculator.

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