



Diane Snyder
President, Snyder Financial Inc.

Many have little to no savings as retirement looms

By Matt Krantz,, USA TODAY

Reformatted for dissemination purposes

For many Americans, the golden years are quickly taking on a tin-like hue.

After a vicious decade of no growth for the stock market, including two 401(k)-eating bear markets and persistently sky-high unemployment, more Americans are finding themselves in their 50s and 60s with practically no money saved for retirement.

"We were in our 30s, blinked, and now we're our parents' age," says Alan Tipps, a corporate jet pilot who typically earns more than \$100,000 a year when he's working. But Tipps, 52, has been laid off three times during the past four years, and says that has forced him to burn through what was in his 401(k) just to "keep the lights on" in his home in Portales, N.M.

Investors of all ages have suffered. But for those close to retirement, it's been especially tough, because they're faced with taking distributions from investment portfolios that in some cases are a fraction of their peak value. Forced early retirements and the near extinction of pensions are making things worse, creating a generation of aging investors in which some have little or no plans for how they're going to pay for retirement.

It gets more ominous, given the other changes Americans are facing. Declining property values have drained home equity that many retirees might have counted on. Meanwhile, the number of people reaching retirement age is soaring as the Baby Boom generation ages.

Saving early and often is the way Americans typically fund their retirement, the biggest financial obligation most will face. Pensions for many have become a thing of the past. Retirement needs vary greatly, but the numbers are universally huge. A 65-year-old retiree would need to have \$1.1 million saved to draw \$50,000 a year in inflation-adjusted dollars, assuming 3% inflation and a 5% annual return from investments. That's if the investor is lucky enough to get a 5% return, which, given the flat-line returns of stocks the last decade, might give some pause. Meanwhile, data show that many workers nearing retirement age have saved nowhere near the amount they need, and many have very little savings. More than half of all workers, 56%, say they have less than \$25,000 in savings, according to a survey by the Employee Benefit Research Institute.

And the strain is already starting to show up as more American actually retire. More than half of retirees, 54%, report they have less than \$25,000 saved. That's up dramatically from 2006, when 42% said they had less than that. For many Americans approaching retirement age, the increasing gap in savings is eroding confidence that retirement is even possible. Nearly 30% of workers of all ages surveyed aren't confident they'll have enough to retire, the highest level in the 21 years that EBRI has tracked the statistic. That means 36% of workers now expect to have to keep working after age 65, up from 20% in 2001.

Not only are many Americans close to retirement age lacking savings, some are in the hole financially. The EBRI survey found that 42% of retirees say their current level of debt is a problem.

Double whammy

Financial advisers say they're seeing an increasing number of workers and new retirees with no savings and no plan to dig out of debt. "There are a lot more people behind the eight ball," says Joel Redmond, a financial planner for Key Private Bank in Syracuse, N.Y. Redmond and other advisers cite a range of factors jeopardizing retirement today:

- Ravages of the stock market. The people Redmond encounters most who are lacking sufficient retirement savings weren't necessarily delinquent or negligent. Many had money saved but were wiped out by the sour stock market in the past decade and poor investment strategies, Redmond says.

That's what happened, in part, to Robert and Connie Cabana of Tampa, who are both in their 60s. Robert built up a sizable 401(k) working as a financial executive at Verizon. Connie was a business assistant for a local irrigation supply company. Connie was laid off four years ago; Robert was let go three years ago.

But the serious hit to their retirement, which wiped out half their 401(k) savings, resulted from the stock market and an overexposure to risky stocks, they say. Now, 75% of their 401(k) is gone, and they have "very little" left, Robert says.

- Procrastination and delays in getting retirement savings in place. Baby Boomers, in contrast with their Depression- and World War II-era parents, who typically were good savers and had company pensions, have looked at savings as a downer, says Chris Olsen, 49, a financial planner with Ameriprise.

Many people now in their 50s and 60s with no savings figured they could lean on Social Security for their retirement, he says. In reality, Olsen says, Social Security payments are far from adequate to fund skyrocketing health care costs. The payments also are losing purchasing power relative to inflation, he says. Social Security, in practice, pays for only about 40% of most retirees' needs, says Paul Jarvis, financial adviser at State Bank & Trust in Fargo, N.D.

"I always made a lot of money. I always spent a lot of money. I've done whatever I wanted to do," says Paul Conlin, 53, a contractor in Liverpool, N.Y., who says he has less than \$50,000 saved for retirement. "I live for the moment. When I want to do something, I do it."

But after consulting with a financial planner, Conlin, who is married and has three children, is starting to put money away for retirement. He's saving \$6,000 a year in a Roth IRA, "and it's growing," he says. "I've changed my habits." Even so, he's not ready to go crazy on a savings binge, figuring he'll probably keep working well into his 70s or beyond. "If you stop working totally, then you will die."

- Putting retirement last. Financial obligations faced by young families can be so crushing that saving for retirement often is the last thing that gets attention, Jarvis says. After paying down debt and paying for kids' college, many Americans find themselves in their 50s with next to no retirement savings, he says.

- Unemployment hitting retirement savings plans. Tipps says that while his income is good while he's working, routine layoffs constantly knock his retirement savings plans off course. "It's good money while you're working," he says. "But it's feast or famine." Unfortunately, since corporate jets are seen as an executive perk, companies are quick to cut them when times get tough. "My retirement plan is the New Mexico state lottery," he jokes.

Make a plan

Joking aside, it's critical for people in their 50s and 60s to recognize immediately the severity of the situation, Redmond says. Coming up with a financial plan, at least, allows people to set realistic expectations for what they need to do. There are only so many things people in this situation can do, says Redmond. The only variables most people can control are working longer, saving more or getting a higher return on their investments, he says.

Some, such as Conlin, may simply choose to postpone retirement and keep working. He says members of his family routinely live into their 90s, and he's ready to keep working. In an effort to save more, the Cabanas are attempting to launch a business in which they distribute coffee and chocolate to organizations conducting fundraisers. They're hopeful the business could take off, though sales recently have been soft due to the economy, they say.

But working longer might not be an option for some, such as Tipps. He says that insurance carriers that provide coverage for pilots might make the premiums for those older than 65 prohibitively expensive in the future. Instead, Tipps, is trying to teach himself to be a successful active investor and get a higher rate of return on savings. He's using a practice trading account at an online brokerage to try different active trading strategies using virtual money. If he's successful, he'd like to start for real once he's working steadily again. Tipps is also determined to set up a Roth IRA, a retirement account that lets investors' money grow tax-free.

Perhaps the most likely option for many is doing an extreme makeover of their finances and slashing costs. Olsen and Jarvis have both seen retirees with little money sell their homes in costly parts of the nation and move to less expensive places. Others forgo many of the things Americans dream of doing during retirement, such as travel.

There's no guarantee that even such extreme measures in retirement will help Americans recover from a lifetime of not saving. Making such sacrifices now creates worries many Americans would rather avoid at this stage in their lives.

Connie Cabana cautions young people to learn from her predicament. "Young people need to start saving as soon as they start working," she says. "There are roadblocks you don't see when you're young. You think money will always be there," she says. "But with life, you need to make provisions."

END