

Prepare or Beware: The Dangers of Retirement Planning Procrastination

Most people looking forward to retirement anticipate years of relaxation and fulfillment after decades of hard work. But the reality of retirement is often far different. For many people, retirement may bring financial stress, uncertainty, and the fear of outliving their savings. It's crucial to understand the current state of retirement preparedness to secure your own comfortable future.

The Stark Reality of Retirement Preparedness

According to the Economic Policy Institute, nearly half of all working-age families don't have anything saved in retirement accounts.¹ Meanwhile, the median retirement account balance for all working-age families is only \$5,000. This isn't nearly enough to sustain even a modest lifestyle in retirement.

The Social Security Administration also reports that about half of all married couples (and seven in 10 single retirees) receive at least half of their income from Social Security.² But with more people claiming benefits and fewer workers earning them, the long-term future of these benefits is uncertain. This means that for those without a backup plan, placing all one's eggs in the Social Security basket can be risky.

Meanwhile, people are living longer than ever. This is a positive trend in the abstract, but it means that retirement savings also need to last longer. Many financial experts recommend planning for 20 to 30 years of retirement; but if you retire at 60 or 65, 20 years may not be enough.

Avoid Becoming a Statistic

Start Saving Early

You can't overestimate the power of compound interest. The earlier you start saving, the more your money can grow over time. Even small contributions can accumulate significantly over decades as long as you stay consistent.

Maximize Retirement Accounts:

Take full advantage of tax-advantaged retirement accounts like 401(k)s and IRAs. Be sure to contribute enough to get any employer match, since this is essentially free money.

Diversify Your Investments:

Diversifying your investments can help manage risk and improve returns. Consider a mix of stocks, bonds, and other assets tailored to your risk tolerance and time horizon. As you get closer to your target retirement date, you'll want to gradually shift to more conservative investments to protect your savings from market volatility.

Create a Retirement Budget:

Estimate your retirement expenses, including housing, healthcare, travel, and leisure. Compare this with your projected income from savings, Social Security, and other sources. Adjust your savings goals and investment strategy as needed to bridge any gaps.

Seek Professional Advice:

A financial professional can provide personalized guidance and help you create a comprehensive retirement plan. This person can assist you with investment strategies and tax planning, and address that you stay on track to meet your goals.

In Closing

Retirement should be a time for you to relax and enjoy time with loved ones, not spend sleepless nights worrying about your finances. While the statistics on retirement preparedness are sobering, taking proactive steps now can help you avoid financial strain. Secure your future today, so you can enjoy the retirement you deserve tomorrow.

Important Disclosures:

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy. This article was prepared by WriterAccess. LPL Tracking #600792

Footnotes:

¹ "The State of American Retirement," Economic Policy Institute, <https://www.epi.org/publication/retirement-in-america/>
² "The Importance of Social Security Benefits to the Income of the Aged Population," Social Security Administration, <https://www.ssa.gov/policy/docs/ssb/v77n2/v77n2p1.html>