

by Susan Michel



It is Never Too Early (or Too Late) To Start Thinking About Retirement

Editor's note: Glen Eagle Advisors, LLC, a financial advisory firm headquartered in New Jersey, was founded by CEO Susan Michel. In this article, Susan shares her thoughts on the impact that low financial literacy rates have on millennials and Gen Yers. She also explains how parents can take an active role by incorporating lessons about money while at home. It is through this sharing of knowledge that parents can give today's youth the tools they need for a solid financial future.

The word "retirement" means something different to everyone. For some, the word triggers thoughts of relaxation, hobbies, travel, and extra time to spend with family and friends. For others, it generates excitement and dreams of transitioning to a new career or business venture, and never fully retiring. What works for one person might not work for another. The key is to decide what will work best for you and for your individual situation.

When it comes to retirement the one step that we all can take is to plan ahead and prepare for it. As with most things in life, preparation is the pathway to success. Unfortunately, approximately half of adults are currently not saving for retirement, yet most adults are likely to describe saving for retirement as "essential."¹ We decided to explore some of the most common questions asked about retirement.

1. How much money do I need to save for retirement? And how can I make sure that I'm not going to run out of money?

When answering this question, some of the factors that should be considered are your expenses, your earnings and expected longevity.

- **Expenses:** One of the biggest factors in retirement is your real expense number. While we would like to think that our expenses will decrease in retirement, this is usually not the case. Although most people reallocate what they spend their money on during retirement, the fact is that many of us live two to three decades after retirement and want to travel and enjoy life. If you are a business owner, it is important to take into account that some of your current expenses may be covered by your business, but this may not be the case in retirement.

- **Earnings:** Where your money is invested before and during retirement matters. The farther away you are from retirement, the more important it is to be growth-focused and to invest in tax-deferred accounts such as Roth IRAs. As you get closer to retirement, you will want to become more conservative with your investments and search for more income driven vehicles. Once you are retired, you can use the proceeds from your investments for income—without touching the principle.

- **Longevity:** There is no way to know how long your lifespan will be. In general, though, people are living longer. On average, a 65-year-old man can expect to live another 18 years (to age 83) and a 65-year-old woman can expect to live another 20.5 years (to age 85 ½). This means that most individuals will need money for retirement and due to advances in healthcare,

many of us will lead active lives during retirement as well. Carefully thinking about your goals in retirement will help with deciding how much money you need to save in advance. Sadly 40.6% of all U.S. households where the head of household is between ages 35 and 64, are projected to fall short of sustainable retirement income.²

2. How do I know when it's the right time to retire?

First off, there is no right or wrong time to retire. A better question to ask ourselves, "From a financial perspective, will I be able to do everything that I want in retirement if I retire at a specific age?" There seems to be a gap between when active workers expect to retire and when they actually retire. Workers report that their expected median retirement age is 65, while retirees report they retired at a median age of 62. The Retirement Confidence Survey has found that a large percentage (48%) of retirees leave the workforce earlier than they had originally planned. This can be due to a number of factors including a hardship such as health or disability, changes at their company, or being able to afford to retire earlier.

One consistent factor is that workers who are not confident about their financial security in retirement decide to retire later. For example, 58% of those who are not confident in their retirement financial prospects say they either will not retire or do not know when they will retire.³ In the 2018 Gallup poll, 41% of non-retirees plan to retire at age 66 or older.

3. Are there certain considerations that women need to keep in mind when planning for retirement?

Women tend to live longer, take fewer risks, and are often the main caregiver for their family. In addition, a lot of women take a break from their careers or work part-time jobs to maintain flexibility. In addition, women tend to earn less on average over the course of a lifetime leading to a disparity in retirement savings. A recent U.S. Census Bureau report shows the median earnings of year-round, full-time female workers in 2018 were about 82 percent of those of their male counterparts: \$45,097 compared with \$50,653 respectively.⁴ Yes, it is not all bad news! When it comes to participation in retirement plans at nearly all income levels, women have participation rates that are 5% to 14% points higher than men.⁵

As a business owner, no matter what your company size is, you should consider putting a company retirement plan in place. Retirement plans have many benefits for you, your firm, and your employees. You might also want to consider working with a professional to develop a financial plan. This will help you see your current financial picture and create a step-by-step roadmap to start retirement whenever you are ready. When it comes to retirement, it is best to start planning as early as you can. ☺



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and wealth management, Glen Eagle takes an educational, holistic approach to meeting its clients' long-term goals. Susan is a member of the Enterprising Women Advisory Board and a past recipient of the Enterprising Women of the Year Award. She was recently named an Enterprising Women "Top 20 in 2020" Award Winner. Learn more about her company at www.gleneagleadv.com.

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