

AHWATUKEE FOOTHILLS NEWS

Bridging the Gap Between Retirement Dreams & Reality



September 1, 2021 by Dr. Harold Wong

A recent 2021 Logica Research survey, sponsored by Schwab Retirement Services, found that 401(k) participants across America now believe they must save \$1.9 million for retirement, up from \$1.7 million in the 2019 survey.

Not only has that goal increased, but also investors' confidence in reaching their goals. More than half (53%) said they are likely to achieve their retirement goals, up 16% from a year ago when the Coronavirus pandemic created massive economic turmoil and uncertainty.

The pandemic has changed the way they approach their finances, with: 48% planning to save more; 36% planning to increase their 401(k) contribution rate; 35% planning to invest more outside of their 401(k) plan, and 34% planning to pay off debt. These are all lofty goals, but what's the reality?

A recent study by the Center for Retirement Research at Boston College, found that in 2019, median 401(k) balances saved across several age groups was: \$51,000 for those ages 35-44; \$90,000 for those ages 45-54; and \$120,000 for those ages 55-64.

In order to save \$1.9 million by age 65 and assuming a person had saved the median 401(k) balances, here's how much one would have to save monthly until age 65: \$900 for the 35-year-old; \$2,475 for the 45-year-old; and \$9,000 for the 55-year-old. There's obviously a HUGE gap between what folks think they need to save for retirement vs. actual savings. So, why don't most people save what they want for retirement?

- Lack of Understanding the substantial amount that must be saved for decades: Most have not calculated a detailed retire-

ment plan and don't know what the required savings numbers are. My experience is that until folks reach age 50, most aren't very serious about retirement. Remember the old Yippie leader Gerry Rubin saying from the 1960's: "Don't trust anyone over 30". When you are young, your late 50s and 60s seem far away.

- Insufficient Income: the 2020 national median family income was \$78,500, according to an April 1, 2020 notice from the US Department of Housing and Urban Development. If this is your family income, can either or both spouse learn a new skill or start a side business to earn an extra \$30-50,000/year? If one can save this extra income, most will be reach their retirement goals.

- Losing Money in one's Investments: According to www.moneychimp.com, the compound average growth rate in the S&P 500 Index of stocks has been 4.57% in the 21-year period from January 1, 2000 to December 31, 2020. One could add the average 2.02% dividend rate, but then would also need to subtract the inflation rate and all Wall Street fees.

The reason this rate is so much lower than what the public believes is because the stock market had two previous major crashes. In both the 2000-2002 Dot-Com crash and the 2008-early-2009 Financial Panic, the stock market dropped by about half. Even though the stock market has been in an unprecedented 12-year bull market, two huge stock market crashes can kill a retirement plan.

- Not Saving Enough: In order to save substantially for decades, one must have unusual self-discipline. One must be able to ignore millions of ads, whether it is on TV,

radio, publications, or the internet. There is a giant advertising industry enticing you to spend all your money.

Conclusion: for most, there's a huge gap between the desired vs. actual size of their retirement fund.

Free live seminars and lunch:

- Saturdays 9/18/2021 and 10/09/2021 at The Old Spaghetti Factory, 3155 W. Chandler Blvd. #9; Chandler, AZ 85226 starting at 10:45 am.

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Free Information on Retirement Planning, Solar Business Investments, and Tax Savings can be found at www.drharoldwong.com or www.solarbusinessinvestments.com.

To schedule your Free Consultation Contact Dr. Harold Wong at (480) 706-0177 or harold_wong@hotmail.com to RSVP.

Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.