

How Gen Xers Can Get Their Retirement Saving Back on Track

Steps that may help to address a savings shortfall.

Were you born within the years 1965-1980? That makes you a member of Generation X, and it means you are between ages 35-50. Gen Xers now constitute “the sandwich generation” – how time flies.¹

Broadly speaking, GenX is the first generation that has had to save for retirement without traditional pension plans. In addition, most Gen Xers will probably retire after 2033 – the year in which Social Security predicts its trust funds will run dry, barring federal government intervention.¹

With eldercare responsibilities, kids, and student loans, this demographic is challenged to save for retirement. In fact, 34% of Gen Xers participating in a recent Northwestern Mutual survey stated they had no idea how much retirement income would be sufficient for them. In April, Bankrate found that just 12% of Gen Xers direct more than 15% of their incomes into savings; about 40% were saving 5% or less of their incomes. More disturbingly, 46% of Gen Xers who responded to a May Allianz Life retirement preparedness survey indicated that they would “just figure it out when I get there.”^{1,2}

What steps can Gen Xers take to keep up or catch up for retirement? First of all, meet with a financial professional to talk about your savings effort so far. That kind of conversation should help to illuminate just how far you have to go in terms of attaining a comfortable retirement. Maybe the distance toward that goal is shorter than you think; maybe it is longer. It must not be casually guessed.

Here are some other steps toward greater retirement savings...

Max out your retirement plan contributions. If you are already doing this, great. Many Gen Xers are not doing this. Perhaps the contribution is thought of as a lump sum that is hard to part with every year, rather than a series of incremental salary deferrals. Arrange monthly or per-paycheck contributions, and things look more manageable within the household budget. Some employer-sponsored retirement plans offer employees the option of automatically increasing their contributions with time, which helps.³

If you own a business or work as a solopreneur, consider SIMPLE plans, SEP-IRAs, or Solo(k)s. As these plans allow employee and employer contributions, business owners have used them to dramatically increase their retirement savings. In 2016, the maximum employee deferral for a SIMPLE plan is \$12,500 with a \$3,000 catch-up contribution allowed. As much as \$53,000 can be contributed to a Solo(k) annually.^{4,5}

Vow to make those additional \$1,000 catch-up contributions when you turn 50. They should not be scoffed at. Every dollar counts, and the extra \$1,000 you pour into your workplace retirement plan or IRA means greater yearly contributions that can foster greater yearly compounding.

Attack debts. The money you save has to come from somewhere else in your life, and if you cannot immediately find some additional dollars to save, debt is likely the reason. There are many debts you cannot eliminate within a year, but there are other debts you can. Attacking the smallest first still frees up some money per month and means fewer per-debt interest charges in your financial life. Put an extra \$30 a week into a retirement account, and you put \$1,560 more into your retirement savings per year.

A debt-free retirement ought to be one of your financial objectives. Perhaps you will become debt-free by age 65, perhaps you not – but that goal is certainly worth striving to realize.

Revise your monthly budget. Take a second look and see how many needs there are, then how many wants you are accommodating. Recognize the little things: if you spend \$6 a day on coffee, that money (\$180/month) has effectively become one of your “fixed” monthly expenses.

Tell your kids they will have to pay for their college education. Refrain from providing “college aid” out of the Bank of Mom & Dad. Helping your kids with their college costs (or tacitly agreeing to help them with their college loans) is a path toward retirement insecurity. There is no “retiree financial aid” and you may still have outstanding education debt of your own to tackle.

As a Gen Xer, you have a real challenge to save adequately for retirement, but you also have some time on your side. Make the most of it. You definitely do not want the task of figuring it out “when you get there.”

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

Citations.

- 1 - usatoday.com/story/money/2015/06/06/generation-x-retirement/28571965/ [6/6/15]
- 2 - nextavenue.org/gen-x-sleeping-through-their-retirement-wake-up-call/ [8/27/15]
- 3 - usatoday.com/story/money/personalfinance/2015/10/10/gen-x-retirement-saving-investing-generationx-401k/73227036/ [10/10/15]
- 4 - shrm.org/hrdisciplines/benefits/articles/pages/2016-irs-401k-contribution-limits.aspx [10/22/15]
- 5 - irs.gov/Retirement-Plans/One-Participant-401%28k%29-Plans [10/26/15]