



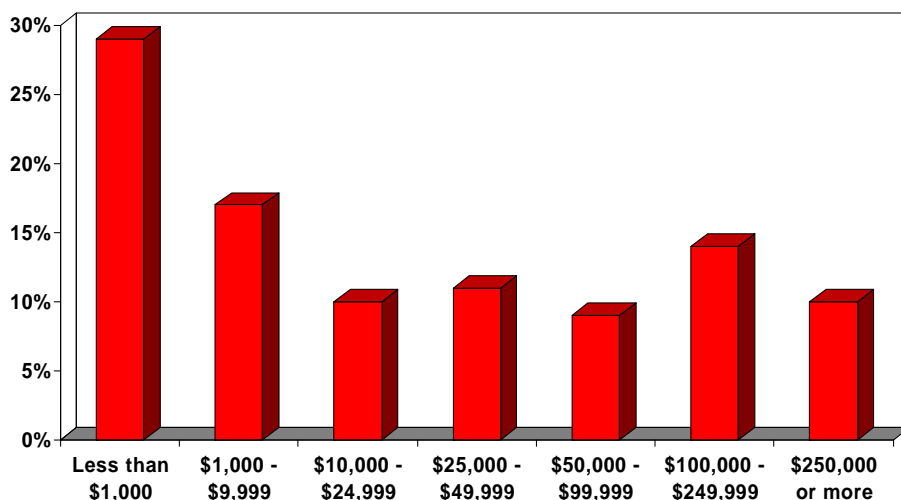
Savings Are Still Woefully Short

The Employee Benefit Research Institute (EBRI) conducts regular surveys of workers and retirees. Their recently published March 2011 Retirement Confidence Survey reveals that both workers and retirees are scared. Their fear is that they will not have saved enough money to enjoy a comfortable standard of living in their retirement years. They should be scared. In fact, they should be terrified.

The report spends a lot of time on how workers and retirees “feel.” Are they confident? Concerned? Do they think about or plan for retirement savings? All of that has a place, but I find it much less telling that something else – what these people actually **do**. It’s a lot like raising kids. Don’t talk to me about how you might one day potentially change something about your behavior. Show me what you have done. Let’s discuss results. It is in this area that the recent EBRI report is so illuminating, and not in a good way.

The general consensus of workers is that they need roughly \$250,000 in retirement savings that can be used in addition to a pension or Social Security to create a comfortable retirement. While this might or might not be “the number,” it serves as an anchor point to look at how close to (or far away from) that goal workers are. Chart 1 below shows the percentage of workers who have each cohort of retirement savings stashed away.

Percent of Workers by Total Amount of Retirement Savings 2011



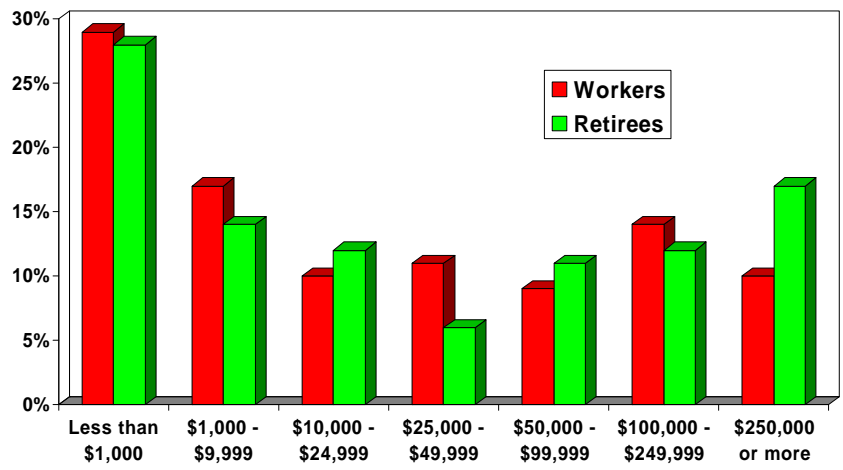
Source: Employee Benefit Research Institute, HS Dent Research



Chart 1. Percent of Workers by Amount of Retirement Savings

You are reading the chart correctly. Almost 30% of workers have saved less than \$1,000 for retirement. Another 17% or so have saved between \$1k and \$10k. With the stated goal of \$250,000 in mind, we can see that only 10% of workers have actually accomplished this goal. But this number is possibly misleading, because it includes workers of all ages. I don't expect a 20-something server at a restaurant to have salted away a quarter of a million dollars. The problem is that this report doesn't break out the numbers by age. However, it does give us another very useful piece of information – the percentage of current retirees by the amount of retirement savings they have. We put both of these measures (retirees and workers) on the same chart in Chart 2.

Percent of Workers and Retirees by Total Amount of Retirement Savings 2011



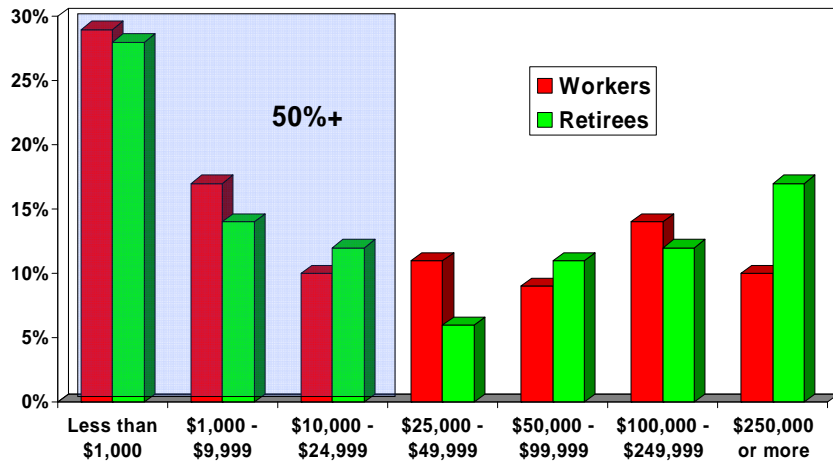
Source: Employee Benefit Research Institute, HS Dent Research



Chart 2. Percent of Workers and Retirees by Amount of Retirement Savings

That's a little disturbing. Other than a few percentage points difference at the \$25k-\$50k marker and the \$250k+ marker, these two measures are very similar. Of current retirees, over 25% have \$1,000 or less of retirement savings, and an additional almost 15% have less than \$10k in retirement savings. Chart 3 puts it another way – over 50% of workers AND retirees have less than \$25,000 saved for retirement.

Percent of Workers and Retirees by Total Amount of Retirement Savings 2011



Source: Employee Benefit Research Institute, HS Dent Research



Chart 3. Percent of Workers and Retirees by Amount of Retirement Savings, with highlight of 50% of respondents

In looking at these figures, we should all recognize a number of facts. First, we as individuals are not saving enough to care for ourselves in retirement. Second, as our population ages, a larger number of people will be in retirement, looking for some organization or entity to help them get by. Third, this does not bode well for the health of our entitlement programs or the level of our tax rates in the years to come.

Sincerely,

Jeremy E. Portnoff

Jeremy E. Portnoff, CFP®, AIF®, CRPS®, CES™, CFS®, CTS™, CAS®

NAPFA Registered Advisor

Ed Slott Master Elite IRA Advisor

HS Dent Master Certified Advisor

Paladin Five-Star Advisor