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# 10 reasons you should plan for your retirement now

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Looking for a good reason to start planning for retirement?

# We'll give you 10

## 1. Your responsibility for saving money is increasing

The burden for building retirement savings is no longer as "shared" as we may think. Employee pensions, Social Security, and other benefits are shrinking, while the costs of healthcare, long-term care, and basic goods and services are rising. 35% of Americans have no confidence at all that Social Security will continue to provide benefits of at least equal value to benefits received by retirees today. (Ruth Helman, Greenwald & Associates; and Nevin Adams, J.D., Craig Copeland, Ph.D., and Jack VanDerhei, Ph.D., "The 2014 Retirement Confidence Survey: Confidence Rebounds - For Those With Retirement Plans," EBRI Issue Brief, no. 397, March 2014)

Many financial planners recommend saving 10-15% of your annual income, beginning in your 20's. As a general rule, you'll need at least $15 to $20 in savings to cover each dollar of the annual shortfall between your income and your expenses. So if your estimated expenses exceed Social Security and pensions by $20,000 a year, you might need a nest egg of $300,000 to $400,000 to bridge that gap.
(CNN Money.com; 9/9/2014)

## 2. Social Security is only "one leg of the stool"

The current Social Security monthly benefit check averages about $1,296 for retirees (approximately $15,552 annually), $1,146 for disabled workers, and $1,245 for widows and widowers age 60 or older. Benefits are somewhat higher for families. (Social Security Brief no. 44, "Social Security Finances: Findings of the 2014 Trustees Report," National Academy of Social Insurance, July 2014)

**Could you live comfortably on that?**

## 3. Many of us haven't calculated our retirement needs

American workers continue to be unaware of how much they need to save for retirement. Only 44% of Americans report that they and/or their spouse/domestic partner have ever tried to calculate how much money they will need to have saved so that they can live comfortably in retirement. (EBRI 2014 Retirement Confidence Survey)

To help ensure your retirement income doesn't fall short, you need a sound retirement savings plan. **Start today.**

## 4. You'll probably need more than you think

**How much more?** Social Security benefits might be adjusted for inflation, but private pensions are generally fixed. Will putting away a little extra here and there suffice? **The short answer: No.**

Let's assume you're age 45, earn $50,000 a year, and you haven't begun to save for retirement yet. Here's what your retirement picture would look like:

| | |
|---|---|
| Present annual income: | $50,000 |
| Percentage of present income desired in retirement: | 80% |
| Total contributions needed by age 65: | $417,848 |
| Contributions needed this year: | $14,928 |

This is a hypothetical example only. It does not represent any specific investment(s) or fee(s) and is not guaranteed. Actual results may vary. (Choose to Save's Ballpark E$timate retirement worksheet, www.choosetosave.com/calculators. Assumes a 3% return on investments after inflation, 3.4% annual wage growth, no pension benefits, Social Security benefits estimated in future dollars, and a life expectancy of 87 years.) Periodic investing does not assure a profit or protect against loss.

## 5. We're saving less

These days our lives are active and spending is up. Our savings, however, have been up and down at best. Here are the figures pertaining to personal savings in the United States in the past three decades:

| Savings as percentage of disposable personal income | |
|---|---|
| 1980 | 8.9% |
| 1990 | 6.0% |
| 2000 | 3.5% |
| 2010 | 5.7% |
| 2013 | 4.9% |

Personal Saving Rate, U.S. Department of Commerce: Bureau of Economic Analysis, August, 2014.

## 6. Working after retirement

**It's not a safe bet.** Working after retirement can be a rewarding way to help supplement income. However, counting on your ability to do so in advance can be dangerous. **Here's why**:

65% of workers *plan* to work for pay after they retire yet only 27% of retirees have *actually worked* for pay at some time during their retirement.[1]

49% of retirees leave the workforce earlier than planned because of:

- Health problems or disability (61%)
- Company changes such as downsizing or closure (18%)
- Having to care for a spouse or family member (18%)[1]

1: 2014 EBRI Retirement Confidence Survey, Employee Benefits Research Institute.

## 7. The healthcare hurdle

In 2013, Americans spent an average of $3,631 on healthcare. (2013 Consumer Expenditures -2013, U.S. Bureau of Labor Statistics, September, 2014)

Between 2000 and 2013, the number of employers in large firms (200 workers or more) offering retiree health benefits declined from 37% to 28%. Why? Because as employers look to cut spending and raise their profit margins, they have been shifting the cost of healthcare onto the retirees in the form of higher premium contributions and cost-sharing requirements. (2013 Employer Health Benefits Survey, The Henry J. Kaiser Family Foundation)

## 8. Factoring in long-term care

It's truly difficult to predict whether or not you'll need nursing home or in-home care in the future, but long-term care could be one of the most expensive types of care you'll ever face. Medicare, Medigap, and private health insurance do not cover the costs of long-term care; they only help pay for hospital stays and brief periods of post-hospital recovery.

Medicaid may cover nursing home or in-home care, but you have to spend down your assets in order to be eligible. **Don't forget to factor long-term care into your retirement savings plan.**

**Consider this:** The average cost of a private room in a nursing home in the U.S. is $87,235 annually, or $239 a day. (2012 MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs). Local/regional costs may vary.

## 9. Retirees spend at high levels

Retirees are vital consumers and often spend close to, if not more than, the amount they spent during their working years. Mortgage payments, business suits, and other work-life necessities are often replaced by vacations, recreation, help with the needs of family and grandchildren, and basic goods and services. **Will you have enough? How are you making your money work for you?**

## 10. Time is money

Contributing to an income tax-deferred retirement account is one way to put time on your side – allowing you the potential to accumulate money for retirement that is deferred from income taxation until it's withdrawn. All withdrawals reduce the death benefit and may reduce the value of any optional benefits. Early withdrawals and other distributions of taxable amounts may be subject to ordinary income tax, a surrender charge, and if taken prior to age 59½, an IRS 10% premature distribution penalty tax will be applied, unless an exception applies.

Putting off planning for even one more year could significantly affect your retirement income.

| | At 65 you accumulate | Loss of interest |
|---|---|---|
| Begin at 35 | $ 89,491 | N/A |
| Begin at 36 | $ 83,655 | $4,636 |
| Begin at 40 | $ 63,194 | $20,294 |

This chart is hypothetical, is not guaranteed, is for illustrative purposes only and does not represent any specific investment or product. The calculations assume a $100 monthly contribution and a 5.5% annual interest but do not include any specific product fees, charges, or taxes. If product fees and charges were included, the results would have been lower. Past performance is no guarantee of future results. Periodic investing does not assure a profit or protect against loss.

The Voya™ family of companies offers a number of products and services that can help you work toward your retirement savings objectives. For more information, contact your Voya representative.