

# THE RETIREMENT TIMES

June 2024

## Boomer or Bust: Charting a Path Toward Retirement Security



A recent study commissioned by the ALI Retirement Income Institute has revealed a stark reality: A substantial portion of America's Baby Boomer population is ill-prepared for retirement. The study, co-authored by former U.S. Under Secretary of Commerce for Economic Affairs, Robert Shapiro, highlights the economic challenges faced by the greatest surge of retirement-age Americans in history. According to the findings, a significant majority of "Peak Boomers," those who will turn 65 between 2024 and 2030, lack the financial resources to maintain their lifestyles in retirement. In fact, more than half will rely primarily on Social Security for income, which on average replaces only 40% of

pre-retirement income, the study reports.

As the retirement countdown begins for Peak Boomers, plan sponsors have an opportunity to implement impactful strategies that can help increase the financial security of employees entering their golden years.

**Phased retirement options.** Consider offering phased retirement options that allow employees to gradually reduce their hours and transition into retirement more smoothly while maintaining income and benefits. This approach can be particularly beneficial for employees who may not be ready or able to retire fully but wish — or need — to reduce their workload.

**Catch-up contributions.** Encourage employees age 50 and older to take advantage of catch-up contributions. This can help boost savings in the critical years leading up to retirement.

**Health savings accounts.** Offer health savings accounts (HSAs) as part of your benefits package, providing a valuable resource for managing health care costs. HSAs offer a triple tax advantage: contributions can be made on a pre-tax basis, earnings growth within the account is tax-free and withdrawals for qualified medical expenses are also tax-free. After age 65, funds can be used for any purpose — however, withdrawals are taxable as income.

**Targeted education.** Ensure your financial wellness offering covers topics relevant to this age cohort, including retirement income strategies, timing of Social Security benefits, post-retirement budgeting, estate planning and RMD general education. An individual turning age 65 today has almost a seven in 10 chance of someday requiring long-term care services. Participants should be advised of Medicare's limitations in this regard as well as long-term care insurance options. Encourage older employees to schedule one-on-one meetings with a financial advisor to discuss their specific circumstances.

**The Road to Retirement.** For Boomers nearing the last exit on the road to retirement, the journey ahead may look like a steep climb. Social Security alone won't cut it, and navigating health care costs may seem overwhelming. Plan sponsors can provide critical assistance, helping Boomers navigate the complexities of retirement planning and helping to ensure they have the tools needed to reach their destination with confidence and greater financial security.

Sources:

<https://www.protectedincome.org/wp-content/uploads/2024/04/Peak-Boomers-Econ-Impact-Study-EXEC-SUMM-ALI-RIL-Shapiro-Stuttgart-EMBARGOED-Apr-18-2024-041624.pdf>  
<https://acl.gov/lrc/basic-needs/how-much-care-will-you-need>  
<https://www.prnewswire.com/news-releases/two-thirds-of-peak-baby-boomers-are-not-financially-prepared-for-retirement-302120313.html#:~:text=Between%202024%20and%202030%2C%2030.4,age%20Americans%20in%20U.S.%20history>

## Women Call for Pension Reinstatement and Care Solutions



Many women have voiced their support for the reinstatement of pension programs and government assistance in lowering the cost of long-term care in retirement, given that they face a greater financial challenge.

80% of women have agreed that the U.S. is facing a retirement crisis, and an even larger percentage agreed that employers should be contributing a larger amount to workers' retirement plans, as seen from the data from Greenwald Research and the National Institute on Retirement Security.

Since, on average, women still earn less than men, spend more time throughout their lives taking time from the workforce to be caregivers, and typically have a longer life expectancy, they have a higher hill to climb when it comes to retirement savings.

Dan Doonan, executive director of NIRS stated that "if policymakers are serious about improving the financial resilience of women, they'll need to implement pragmatic retirement solutions that will help women shore up their retirement position." He further went on to say, "Women clearly see increasing pension coverage as part of the retirement equation, and they want to see action now on Social Security."

With various issues such as rising health care costs, rising inflation, debt, and fewer pensions, 76% of women believe that retirement is becoming more difficult overall, according to the NIRS. Of the women that were surveyed, 82% agree with the statement that "all workers should have access to a pension plan so they can be independent and self-reliant in retirement," and 75% also agreed that "the disappearance of traditional pensions has made it harder for workers to achieve the American Dream."

Someone will eventually contribute less to their retirement account with defined contribution plans if their income declines. For instance, in 2020, the Government Accountability Office stated that the annual contributions made by women to retirement accounts were around 30% less than those made by men.

According to NIRS's analysis, defined benefit plans are likely more popular because they "take the complexity out of retirement." Employees can count on a steady stream of income throughout retirement, and the plan sponsor oversees managing plan investments with qualified asset managers. There has been speculation that other firms may follow IBM's announcement last year that it was reopening its cash balance pension plan and stopping its 401(k) matching contributions.

The NIRS also refers to a town council in Trumbull, Connecticut that recently unanimously voted to reinstate pensions for their police officers to address workforce shortages that the council claimed resulted from the officers' 2010 transition to a defined contribution plan. Due to the state's alarming staffing shortage in critical public service delivery, legislators in Alaska are also working to restore pension benefits for public employees. The NIRS found that, overall, more than 80% of Americans with pension plans feel certain they will have pensions when they retire. Workers with 401(k) plans, however, were worried that the ups and downs in the stock market might affect their plan balances.

The NIRS also discovered that women are worried about long-term care costs in retirement. According to the study, 81% of women express concern about the expenses associated with long-term care and only 38% express confidence in their ability to manage any necessary long-term care costs.

Many middle-class seniors are forced to liquidate their assets to qualify for Medicaid or other long-term services and support due to the lack of viable alternatives to pay for the rising cost of long-term care. This can raise demand for and the price of the publicly funded insurance program. The majority of women (86%) agreed that more should be done by the federal government to assist citizens in obtaining high-quality long-term care when necessary.

There is disagreement among Americans on the authority of the government to withdraw funds from workers' salaries to pay for long-term care, in an approach similar to Social Security and Medicare. One example of a state-run program is Washington State's WA Cares program, which provides qualified participants with up to \$36,500 for nursing care and other related services. The program is funded by a 0.58% payroll tax. Meanwhile, 87% of Americans think that Washington, D.C. authorities are unaware of the difficulties that employees encounter when trying to save for retirement. A majority (87%), indicate growing public anxiety about retirement security, and want legislators to give retirement-related problems a higher priority on their agenda.

Sources:

<https://www.plansponsor.com/women-express-concern-about-retirement-crisis-long-term-care-costs/>

<https://www.gao.gov/blog/gender-pay-gap-and-its-effect-womens-retirement-savings>

## PARTICIPANT CORNER

### Estimating Your Financial Needs for Retirement

Financial planners who conduct pension consulting have been pointing out that you can find yourself in trouble when you reach retirement if you're saving without a goal. Many people have been saving for retirement without taking the time to figure out how much they'll need when they eventually retire. How do you know if you're saving enough if you don't know how much you'll need in the future?

**There are many factors that one should consider when thinking about this.** A great place to start is by identifying how much

you're spending now, this can help you figure out how much you'll need for retirement. By figuring this out, you'll at least be able to see where you can start. However, one thing to keep in mind is that your expenses will change after you retire.

**Some expenses that may decrease include** income taxes, mortgage payments (if you downsize), utilities, and expenses regarding children. You could also save money on commuting expenses such as gas, tolls, car payments, and insurance; as well as other work-related costs like clothing.

**Some expenses that could increase include** travel and entertainment costs as well as health care. Although joining Medicare could reduce your expenses, there is still a possibility that you could need additional insurance which could lead to an increase in costs if your health declines.

Many financial advisors believe that you'll need approximately 80% of your current income in retirement in order to maintain your current standard of living.

**Review Your Income.** It's important to assess any income you may receive throughout your retirement, for instance, Social Security, rent from any properties you may own, a pension, or any other recurring income you receive.

After you have calculated your income and subtracted your expenses, you'll be able to identify how much you will need to save by the time you reach retirement.

**For more information, please contact The 401K Shop at (979) 865-0660.**

**18 N Harris St. Bellville, Texas 77418 | (979) 865-0660 | [www.the401kshop.com](http://www.the401kshop.com) DISCLAIMER Investment advisory services are offered through M.C. Byrd Wealth Management. We are licensed to sell insurance products in the following states of Louisiana (LA), and Texas (TX). ACR# 5370629 12/22**