Poll: Early retirement is not expected

by Bend_Weekly_News_Sources

Bankrate, Inc. released a new poll this week which found that nearly one out of five individuals plan to work until death. Another key finding shows that 28% of those surveyed save less than 5 percent with 16 percent saving nothing at all for retirement. Nearly one out of five individuals expects to work until they die.That's among the most startling findings of a recent Bankrate-sponsored survey of Americans' attitudes toward retirement.

The poll of nearly 700 non-retired adults nationwide also found that one-quarter of all adults (28 percent) save less than 5 percent of their gross pay a year. That includes 16 percent of Americans who acknowledged they are not putting any of their paycheck aside for retirement. Even so, optimism about life in retirement remains high. Six out of 10 Americans "never worry" or worry "not very much" about outliving their retirement savings.

Such optimism isn't entirely misplaced. Among the brighter surprises: younger workers aren't just plugged into iPods. They've apparently heard, and taken note, of messages to start saving for retirement as early as possible. Many individuals who are relatively new to the workforce are stashing large amounts of their pay into fledgling nest eggs. That's true even for those with relatively modest salaries.Working until you die? Depends on your age

Nearly four of 10 seniors surveyed say they plan on working until death. And, 21 percent of those between the ages of 35 and 64 purport that they'll be working forever, too. Only 9 percent of 25-to-35-year-olds expect to work permanently. Yet, 19 percent of the youngest age group, 18 to 24 year olds sees work as a forever thing. Our poll, conducted by GfKRoper, did not survey anyone who was already retired. And the base size of the young set was small. #1 GRAPH-age-death

"If you're age 65, one of the key things that keeps you coming to work is the desire to avoid touching your IRA and nest egg for as long as you can," says Tim Driver, founder of the Web site, Retirementjobs.com. "Many of these people have lived through the Depression. They grew up in an environment where watching pennies was the norm. Many of them are working for healthcare, too. It's by far and away the largest concern for that group."

Driver notes that the notion of retirement is changing. Instead of quitting and spending the last 20, 30 or even 40 years of unfettered leisure, older individuals hope to "downshift" their working lives. In some cases, they want to keep working in some capacity because they miss the intellectual and social interaction they get from a job. Other times they need the money.

So what about all that fuss about early retirement?

It's still a goal for many. When asked "What' is your target date for retiring?" roughly one-quarter of all respondents (27 percent) planned on quitting in their 50s. The younger individuals were more likely to plan on an early exit; 38 percent of those between 18 and 34 plan on retiring in their 50s.

Saving habits: good news/bad news

Reaching early retirement goals depends on how well Americans save and plan, of course. And here, there is good news and bad.

Good news: Slightly more than a third of the people surveyed (36 percent) say they are stashing at least 11 percent or more of their gross pay in retirement savings. Of this group, nearly half (16 percent) are saving in excess of 15 percent each paycheck. That's far above the 10 percent a year target that's generally set by financial planners.

"It's somewhat surprising, but quite good that we have at least 36 percent saving enough to get to where they need to be. But what about the others who are saving less or zero?" says Dick Bellmer, Chairman of National Association of Personal Financial Planners.

Bad news: In fact, 28 percent of those surveyed save less than 5 percent with 16 percent saving nothing for retirement.

The most startling finding: It's mid-career individuals between ages 35 to 49 who are having the most difficult time saving. Fourteen-percent of this age group saves less than 5 percent of their gross pay, and a 18 percent saves nothing. That's almost twice the amount of boomers (age 50 to 64) who set aside nothing.

"This is highly consistent with a large body of research that points to some very large problems for this age group," says Merle Baker, principle of Brightwork Partners, a research firm that conducts numerous retirement studies.

There are two problems for 35 to 49 year-olds, says Baker. First, they are juggling financial demands of paying for their homes, raising children, saving or funding college tuition, and in some cases, giving money to care for aging parents. Overwhelmed with such bills, this group often puts their own retirement plans on hold.

At the same time, this group of workers is far less likely to get pension benefits from employers than older baby boomer cohorts. The upshot: despite their inability to save, 30- and 40-somethings nevertheless must rely on their own efforts to pay for life after work.

"This is the first crowd coming in who must rely on things like 401(k) savings," says Baker. "As a group, they're very pessimistic about retiring comfortably. They'll tell you what they plan to do is catch up later."

That's just what many are doing. Indeed, older workers who aren't retired embrace their chance to stash away as much as possible, Bankrate found.

One in three (29 percent) of those 65 and older are saving more than 15 percent a year. That's the highest rate for any age group, although the survey base size for this group was small. And an additional 15 percent of those who are at least 65 sets aside 11 to 15 percent of their income. Among 50-to-64 year olds, 23 percent save more than 15 percent of income while 20 percent save between 11 to 15 percent.

The mantra of saving early is sticking

Younger workers are faring astonishingly well, too. Although they can still amass large fortunes by saving even a modest amount while they're in their 20s, plenty seem committed to stashing as much as possible.

Nearly half -- 46 percent -- of workers between the ages of 25 and 34 save in excess of 11 percent of their salaries, with 15 percent of this group setting aside more than 15 percent. Among the youngest individuals (18 to 24 years old), 4 percent hit the high mark by saving 15-percent and a respectable 12 percent stashes 11 to 15 percent of pay. Even though this group was a small percentage of our survey group, the news in encouraging.

"They're getting the message. With the 18-to-24-year-old group, they're just out of college and already saving money. And the 25-to-34-year-old group already has a good head-start. If they keep that up, by the time they're 50, the implication is they will be very well off," says Brian T. Jones, CFP and author of "Getting Started: The Financial Guide for a Younger Generation. "

Moreover, it's not just young, highly compensated Wall Street cowboys who are saving. A great number of modestly paid employees -- again, many of whom tend to be younger -- are just as apt to set a great deal aside.

Roughly three in ten of those earning $20,00 to $29,900 say they save 11 percent or more of their income annually. An additional 27 percent of that group saves 5 to 10 percent of pay. Nineteen percent of those earning less than 30,000 save nothing.

Those who fare the worst earn less than $20,000 annually. Among them, four out of 10 save nothing. Yet what may be among the most impressive findings of all is that 19 percent of those with gross yearly pay under $20,000 manages to save 11 percent and more. (This group was a small base size in the survey.)

"They're not hitting peak earnings years, but if they get a company match then they'll be well into the teens," says Jones. "Retirement won't be as dreary as everyone says it will be."

Age drives retirement expectations

Even when savings levels are modest, optimism about retirement ranks high.When asked "Do you think life will be better, worse or about the same when you retire?" -- a whopping 38 percent said they expected better things to come. An additional 41 percent said life should be about the same. And only 18 percent saw life getting worse.

But yet again, age more than any other factor, drives expectations. Younger and even lower-paid workers report to be far more bullish about their future than older, better-paid individuals. Specifically, 44 percent of individuals 18 to 49 expect life to be better. That's almost twice as many as people over ages 50 who feel similarly. (Among them, 24 percent expect things to improve when they retire.)Income seems less important. Roughly four out of 10 respondents in all income levels -- that is those who earn under $20,000 annually up to those who make more than $75,000 -- expect life to get better in retirement. Those who earn between $20,000 to $29,000 are most optimistic, with slightly more -- 46 percent -- counting on greater things to come.

It's the mid-level career crowd -- with incomes between $40,000 and $49,000 annually -- who are the most pessimistic. More than one-quarter of them (26 percent) expects life to be worse in retirement. That's far higher the 16 percent of lower-income workers raking in less than $20,000 who agree with that sentiment.

That negativity among the relatively well-paid may not make sense until one recalls that most of this crowd are those same 35 to 49-year-olds who've put retirement savings on hold even as they're profoundly aware they've got to pay for it, says Dee Lee, a certified financial planner and author of "The Complete Idiot's Guide to Retiring Early" who counsels individuals nationwide about retirement.

"They're in a consumption phase, and there's really not much money left, "says Lee. "They want the house, but maybe they bought it 12 years ago. The fridge goes, the screen door goes. Paying for those kinds of things

add up. They have childcare, which can be as much as $50,000 a year. They want that all-American dream, the house, the kid, the backyard, the two cars. It's not like they don't know retirement is there for them. But they're stuck."

Worry about the future

Perhaps it's not surprising then that this same crowd of 35-to-49-year olds is most fearful about the future. When asked "how much do you worry about outliving retirement savings" 21 percent of them said "a great deal." On average, just 14 percent of individuals of all ages, worries this much.

Generally though, our survey found that Americans are optimistic about their cash flow in retirement. Forty-two percent of the people surveyed said they "never worry" about outliving their money.

This statistic doesn't impress Belmer. "The 40 percent who don't worry are analogous to an ostrich. They just don't want to think about it. Retirement is a problem for another day."

This national random-digit-dialed phone study of 687 adults 18 or older was conducted for Bankrate by GfK Roper Public Affairs & Media. The surveys were conducted from March 29 through April 1, 2007. The sample was weighted by demographic factors including age, gender, race, education and census region to ensure reliable and accurate representation of adults in U.S. households. Results based on the entire sample of 687 adults are projectable to the entire adult population in the United States, with a sampling error of plus or minus 3.7 percent.

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