

# Retirement Is Absolutely Terrifying to Every Generation

By **Jason Nottle** | 05/08/16 | "THE STREET"

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Retirement planning brings out the one constant among generations of U.S. investors: everyone is afraid of it.

A recent survey by financial firm Franklin Templeton found that 65% of investors have no idea how much they expect to spend during their retirement. Roughly 70% of U.S. investors are stressed out about retirement, and 41% have every reason to be -- as they haven't even begun saving yet. Younger generations aren't any more optimistic than their elders. Roughly 76% of Generation X and 70% of Millennials are stressed about their retirement plans, while only 26% and 35% of each believe their retirement will be better than previous generations compared to only 26% of Gen X-ers who felt the same.

Why? Because 52% think that their inability to save is going to either forces them to make major sacrifices in their retirement years or will cause them to outlive their money entirely. Again, Gen X-ers and Millennials aren't overly optimistic, as roughly 90% from both groups are worried about expenses in retirement.

"Retirement planning strategies are not one-size-fits-all," Michael Doshier, vice president of retirement marketing for Franklin Templeton Investments. "Needs, expectations and concerns can vary widely depending on a variety of factors— such as age and lifestyle considerations—all of which can play a key role in the development and implementation of a successful retirement income strategy."

It's those variables that have just about every generation worried to the point that their retirement strategy is frozen in its tracks. Roughly a third are worried about paying for health care, with 39% of Baby Boomers and Gen X-ers scared of what their medical bills will look like once they stop working.

Meanwhile, another report by financial institution HSBC finds that 76% of global investors see poor health as the biggest obstacle to saving for retirement. Those

concerns aren't limited to their own health, as 61% feel that a partner's declining health could sink their retirement plans. As a result, 67% of workers and 63% of those with annual household income of \$80,000 or more, can't predict how much they'll have to spend on health care in retirement.

"Retirement can often invigorate and remind people of the importance of healthy lifestyle choices, but it is equally as important to consider adopting a healthy lifestyle in advance of retirement," Michael Schweitzer, global head of sales and distribution at HSBC. "Having a financial plan can help demystify long-term saving as well as help provide a stress free outlook for all stages of your retirement, both in sickness and in health."

Yet health care is just one of the retirement costs that makes workers' stomachs churn. As advisory firm Voya Financial revealed, annual housing expenses make up 43% of total spending for those ages 75 and older. That includes mortgages, property taxes, insurance, rent, utilities, and costs for repairs, cleaning and maintenance. In fact, a Voya survey found that if retirees had extra cash on hand, 35% would use it to pay off their mortgage, while 20% would use it to buy their dream house outright.

While 41% of those in the Voya survey were most concerned about health care costs, housing expenses placed second at 15%. It isn't a small consideration when 85% of workers plan to own their own home in retirement, compared to just 12% who plan to rent. As a result, 77% of those who plan to own a home during retirement name housing as their biggest retirement concern -- especially since 95% of respondents that plan to own their home in retirement currently have a mortgage of \$100,000 or more.

Also, considering that 19% of workers will be paying their mortgage well into retirement and 26% of current retirees have an outstanding mortgage balance, those costs could make up a considerable portion of an investor's retirement plan. It's a big reason why 27% of workers plan to downsize their home once they hit retirement age, with 12% saying cost is the most important factor in moving after retirement.

"Retirement goals are personal, and each individual or couple is on their own journey," says aid Rich Linton, president of large corporate and retail wealth management markets at Voya Financial. "The one constant, however, is to make sure you map out a plan to reach your destination."

For younger generations, however, housing weighs less on their mind than unknown variables. According to a survey conducted by UBS, a majority of Millennials (73%) tend

to focus on short-term expenditures like rent and travel. They believe retirement is too far down the road to be concerned with. Unfortunately, that's led half to consider dipping into retirement accounts to make a large purchase. Roughly 25% already have.

That's influenced Millennials to make cash 47% of their total assets, compared to 20% of their Baby Boomer parents' holdings. Yet only 29% of Millennials are happy with their retirement investments, compared to 78% of Baby Boomers.

"The ties that bind Boomers and Millennials are deep and long lasting," says Sameer Aurora, head of client strategy for UBS Wealth Management Americas. "The relationship has major financial implications for both generations, but few Millennials are adopting their parents' investment behaviors."

There's one lesson worth taking from the older generations: don't let fear paralyze your plans. According to Franklin Templeton, just 25% of workers consider their retirement income strategy complete. More than half of Gen X-ers (51%) feel their retirement income strategy is inadequate, while 40% of Millennials do not have a strategy in place at all. Meanwhile, only 15% of investors with children under 18 feel their retirement income strategy is complete compared to 29% of those without children.

You'd think that the 94% of those surveyed who were enrolled in an employer-sponsored retirement plan would have some handle on their future finances. However, 38% of those folks don't know how much of their current income will be replaced by that employer plan in retirement. Among those stressed out about retirement, 65% say they don't know how much they'll spend annually during retirement. That includes 60% who don't know how they will pay their medical expenses during retirement.

Yet there are fairly simple ways to assuage many of these fears. Only 26% of those with a formal retirement plan and or 29% of those with a completed plan are uncertain about their ability to fund their retirement. By comparison, 73% of those without a plan have similar fears. Also, it helps to be realistic about your goals. HSBC notes that 72% of workers age 45 and older would like to retire in the next five years, but 37% of them won't be able to do so. Of those who will work beyond age 50, 77% are doing so because they lack the funds to retire earlier.

While a retirement plan can help shore up your accounts, realizing that you aren't the first person who's ever had to save for retirement is a great step in the right direction. Of the retirees who spoke to Franklin Templeton, 67% advised current workers to contribute as much as they can to their personal savings (56%) and workplace

retirement plans 54%. More than 70% of them also advised workers to save as early, often and consistently as possible. As a result, 63% of those who'd already begun saving were comfortable with their retirement plan, compared to just 24% of those who hadn't begun saving yet.

"While there's no question that individuals understand the importance of planning for retirement, they may be overwhelmed with preconceived and often unrealistic expectations that can prevent them from taking any action, as they don't know where to start," says Yaqub Ahmed, head of defined contribution-U.S. for Franklin Templeton. "The first step of saving for retirement — whether in a retirement plan at work or an individual investment — is often the best step."

This article is commentary by an independent contributor. At the time of publication, the author held no positions in the stocks mentioned.