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With Retirement, You Can Pay Now or You Can 'Pay' Later

FINANCE: Those Who Haven't Saved May Find Golden Years Tarnished

By **MIKE ALLEN**

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As many older employees look at the time they have left before they retire, many realize they haven't saved enough and are opting to continue working, local wealth advisers said.

According to a recently released Wells Fargo Middle Class Retirement Survey, 48 percent said they aren't confident they will be able to save enough for comfortable retirement. The same study found 34 percent who say they'll have to work "until they are at least 80" because they haven't saved enough.

Bob Holcomb, president of the wealth management division of San Diego-based First Allied Securities Inc., said it's widely known that most Americans aren't saving enough for their retirement. But in recent years, he's seen greater awareness about their situation and a willingness to develop a plan.

"As I get out and conduct seminars on the subject, we're seeing greater attendance, greater engagement, and hearing better questions," Holcomb said. "They're asking questions about alternative investments, annuities, real estate investment trusts and other vehicles that they hadn't asked about in the past."

Holcomb noted that while many of his firm's clients are proactive about their retirement plans, most workers in this country probably don't have a plan.

The Wells Fargo survey, conducted by Harris Interactive of 1,000 middle class Americans ages 25 to 75, found 52 percent were confident they've saved enough, yet only 29 percent said they had a written plan for their retirement.

Written Plans Produce Results

The survey found that those who had a written retirement plan saved three times more than those who lacked such a plan, said Gary Hall, a Wells Fargo wealth adviser in Palm Desert.

And while many workers have access to defined contribution, 401(k) savings accounts to build a retirement nest egg, a huge number aren't taking advantage of these savings vehicles. "About 12.5 million of the 50 million workers who have access to these retirement savings accounts aren't contributing to them," Hall said. "That's sad because not only are they missing the employer matching contributions, but they're also losing out on the tax-deferred growth on that money."

Sean Ciemiewicz, principal with San Diego-based Retirement Benefits Group, which helps companies design their 401(k) and other retirement plans, said one big reason why so many people aren't saving enough is that the investment choices they've been provided are confusing and too complex for many people to understand.

"The biggest problem that our advisers are finding is that many employees don't understand what asset allocation is and how to allocate their investments," Ciemiewicz said.

Because of this confusion, and a tendency among many to put off saving until later, they pass up the chance to set up regular withdrawals from their paychecks, which is a mistake, he said.

The 10 Percent Contribution

"The message that we send out to everyone is that they should be saving as much as possible as soon as possible," Ciemiewicz said. For starters, he advises contributing 10 percent from a paycheck and then finding a way to live on the reduced amount. If that seems too hard, he suggested starting with a 5 percent contribution and then increasing it by 1 percent each successive year.

Realizing that many folks don't have even basic financial knowledge on how much they'll need for retirement or how to go about it, more mutual fund providers are responding with target date funds that combine investments in both stocks and bonds, he said.

Another trend that is being adopted by more companies is automatic enrollment into the 401(k) plans rather than leaving it up to each employee. While employees can opt out, the percentage of people who do so is extremely low, Ciemiewicz said.

About a third of those surveyed in the Wells Fargo-sponsored study said that Social Security payments would be their primary source of income in retirement. That is a prescription for failure because Social Security pays an average of 40 percent of a person's pre-retirement earnings, Hall said.