The Future of Retirement

Jean Chatzky
AARP Financial Ambassador
About 100 Years Ago
Average Life Expectancies

70 to 79 years

77 to 83 years
And The Longer You Live…

The Longer You’re Going To Live

- Average 65-year-old will live until age 84.
- 25% will pass age 90.
- 10% will pass age 95.
- Americans age 100+: Up 2,200% since 1950.
THIS BABY COULD LIVE TO BE 142 YEARS OLD
Dispatches From the Frontiers of Longevity
Changing Financial Responsibilities

Prior Generations

➢ Employer Paid Pensions
➢ Employer-Provided Healthcare
➢ Social Security funded to pay 100% until 2034

Today’s Workers

➢ 401(k)s and Other DC Plans
➢ Higher Co-Pays and Deductibles
➢ Social Security funded to pay 79% after 2034
“No one I know has a job anymore. They've got gigs.”
The Lack of Retirement Savings

➢ **55 million** Americans can’t save via paycheck deductions

➢ Just **5%** of these people will open IRAs
Jean Chatzky
@JeanChatzky

By the time you’re 30, aim to have 1x your annual income set aside for retirement. At 40, 3x; at 50, 6x; at 60, 8x; and by retirement, 10x.

8:15 AM - Nov 1, 2017

1,611 1,244 4,128

David

Good advice. On a related note, does anyone know any handy recipes for leftover unicorn?

Michelle

But how much avocado toast are we allowed
## Where Retirement Income Comes From

<table>
<thead>
<tr>
<th>Preretirement Income</th>
<th>Income Replacement Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>From Savings</td>
</tr>
<tr>
<td>50k</td>
<td>45%</td>
</tr>
<tr>
<td>100k</td>
<td>45%</td>
</tr>
<tr>
<td>200k</td>
<td>45%</td>
</tr>
<tr>
<td>300k</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: Fidelity Investments
Potential Changes To 401(k)s

➢ Lifting the 70 ½ age limit on contributions
➢ Allowing small employers to share costs
➢ Incorporating annuities as a lifetime income solution
➢ Showing how much savings = in monthly income
Secrets to Success of Work And Save

➢ Paycheck deductibility
➢ Automation
➢ Investment simplicity
➢ Ease for employers
Behavioral Economics:
noun, /bəˈhāvyərəl/,
/ˌekəˈnämiksˌekəˈnämiks/

1. The study of psychology as it relates to the economic decision-making processes of individuals and institutions

2. The study of why smart people do stupid things with money
Your Brain And Money Choices

You see something you want.

Pleasure center in the brain fires up.

You get the item.

Dopamine rush.
Money
Rule #11:

If You Can’t See It And You Can’t Touch It, You Won’t Spend It.
Likelihood To Save

➢ Access at work = 15x more likely to save

➢ Automatic access = 20x more likely to save
Stock Market Participation

➢ Pre-crisis: 62%
➢ Today: 54%
➢ Income of $100,000+: 89%
➢ Income of $30,000: 21%
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