

# Are You Hitting **Roadblocks** Along the Way **to Retirement?**

By Maria Umbach

*More and more Americans are facing the reality that the financial demands of everyday living are getting in the way of their ability to save for tomorrow. They are not paying nearly enough attention to their long-term needs, especially the need to save and plan for retirement. Some people plan to simply work longer to better position themselves for the transition to retirement but are not considering the possibility that they may not have the luxury of retiring on their own terms.*

When it comes to retirement, women face an even greater challenge. Most of us have to catch up more than men and, given longer life spans, we may need our financial resources for a longer period in retirement. We have clear priorities relating to financial goals. We want financial security during retirement, and we want to avoid becoming a potential burden to others. Yet our outlook for achieving these goals is shrouded in uncertainty, according to Prudential Financial's 2004-2005 study on the financial experience and behaviors among women. Although having enough money at retirement continues to be a top financial goal for all baby boomer women, incredibly, only 8 percent are "very" sure of how much money they will need in retirement. And almost half do not even have estimates according to the study.

Changes during the last five years have also had a major impact on retirement prospects. The stock market can go down, and it can stay down for a long stretch; financial well-being is affected not only by domestic economic policies, but also by events in foreign lands and the security of our homeland; and while income may have grown, health care costs have been growing at an even faster rate. These challenges can be daunting and leave many looking for a clearer path toward securing a comfortable retirement.

Prudential Financial's recently released study, *Roadblocks to Retirement* (available at [www.prudential.com](http://www.prudential.com)), sheds new light on Americans' views about these challenges and how prepared they are to face them. According to the study, Americans' tendency to borrow and consume today is a national trend that affects everyone. Primary challenges that surfaced in the study follow.

## **When Retirement Arrives Uninvited**

Issues such as downsizing, injury, health limitations, or family emergencies can lead to a sudden and unexpected retirement. Four in 10 respondents indicate they were forced to retire, and nearly half of involuntary retirees were under the age of 60. Almost two-thirds of people who retired unexpectedly said they were not financially prepared.

## **"Dream" Retirement Could Be Just That for Many**

Among those who were forced into retirement, six in 10 said they are simply trying to make ends meet. Even among those who retired on their own terms, two-thirds indicated they are just living "comfortably." Fewer than half of retirees said they were able to travel or vacation as they may have hoped.

## Many Expect to Just Work It Out

With retirement lasting 20 years or more for many Americans, their needs will change dramatically during this time. Retirement finances will need to last through the shifting demands. During the first 10 years of retirement, seven in 10 Americans currently expect to continue working to supplement income and continue to build their nest egg. At the same time, 64 percent

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recognize they may be simultaneously coping with deteriorating health. In the second 10 years of retirement, 80 percent of respondents indicated health care was a top concern, with many retirees expecting to require nursing home care or run out of money or both.

Despite these challenges and a reluctance to save for retirement, for those who do, most don't consider it a burden at all. In fact, about 80 percent across age, income, and different ethnic/racial backgrounds hardly notice the “lost” spending opportunity and ultimately feel happy about their savings toward tomorrow's security. You can take these tangible steps to prepare for tomorrow:

- Join your company's defined contribution retirement program, contributing at least at a level that fully qualifies you for the match, if one is offered.

- Diversify and rebalance your investments according to your financial needs and goals.
- Consider an annuity to generate lifetime retirement income from assets accumulated in individual retirement accounts (IRAs) and employment-based retirement savings programs such as 401(k) and 403(b) plans.
- Consider life insurance to help provide income to a spouse or partner not covered by your retirement plan or entitled to Social Security benefits after your death.
- Research the current costs of long-term care in your community and how those costs are likely to grow. Determine how much of your retirement savings and income you'd be willing and able to spend on long-term care services, such as home care, care in a nursing home, or care in an assisted-living facility.

Americans have clear retirement goals. However, many are not sufficiently informed to effectively plan for the transition to retirement. Almost half of Americans surveyed indicated they are perplexed about how to choose financial products to help meet their retirement goals. The most effective approach is perhaps the simplest—a return to the basics of sound management of household finances. That is, spend less, save more, start early, and seek professional financial advice.

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