FOCUS: RETIREMENT

RETIREMENT PLANNING

Gen X, millennials better prepared

BY HARRY FUNK

Say you've reached your 50s, and the next big step in life suddenly seems to be right around the corner. So you set up a meeting with a financial adviser for you and your significant other.

"Many of them will still tell you they plan to retire in their mid-60s," said Donna Cheswick about her clients in that age group.

Then they go through their numbers.

"They fast realize that they haven't saved enough, and they don't have enough money," she said.

Cheswick, a financial adviser and shareholder with Medallion Wealth Management in Franklin Park, joins those in her profession who have noticed that numerous baby boomers – Americans who were born from 1946 through the early '60s – are coming to learn that their financial preparations are lacking for the traditional age for retirement.

Fleming

"The environment certainly has changed," said Kim Tillotson Fleming, chairwoman and chief executive officer of downtown-based Hefren-Tillotson Inc. She has been in the investment business for 35 years, dating back to a time when employees could look forward to drawing on pensions and Social Security after leaving the workforce.

Their children, the baby boomers, often foresaw a similar scenario, even after warnings about the future of Social Security and employers shifting to 401(k) and similar retirement plans.

"That put a lot more responsibility on the individuals to have to pay for themselves, and some didn't take it seriously," Fleming said.

The result is that, as a whole, the baby boomers may not have been preparing as well compared with subsequent generations, dubbed Generation X, with birth dates from the early '60s through about 1980, and millennials, born afterward through the 1990s.

A recent survey by PNC Financial Services Group Inc. found that when it comes to retirement preparation and investing, members of Generation X tend to be saving more and taking on more responsibility for their nest eggs than baby boomers.

"My generation is probably the first one to come to the realization that working for a company for 30 or 40 years, then retiring, getting a pension and getting Social Security, it's just not there anymore," said Donald Angel, partner with Cardiff, Provins & Angel Wealth Management LLC in Scott Township, who's in his mid-30s.

Personal experience also serves as a wakeup call.

"A lot of the Gen Xers have seen their parents and what they've gone through," Cheswick said. "And they realize, I don't want to go through that."

Millennials are getting the idea, too.

"They see it coming out of school, some of the worst economic times since the Great Depression," Angel said. "So they're willing to scrimp and save if they get that opportunity."

And that's despite the mountains of debt that often accompany the "coming out of school" factor.

"Kids are realizing that they need to start at a very early age about budgeting," Cheswick said. "It's like a snowball rolling down a hill. It only gets worse."

Philip Henry, founder and president of Henry Wealth Management LLC in Collier Township, encourages young people to start making good decisions about their money.

"It's the 'diet and exercise' plan with your finances," he said, pointing out that plenty of "do-it-yourself" tools are available as primers. "It brings attention to the fact that you need to get started and need a plan."

Once that ball gets rolling, Cheswick recommends maintaining the momentum.

"I think every individual should be doing a financial plan every year, kind of like a New Year's resolution, in a way, but a little more formal," she said. "If you don't do it early enough, that harsh reality is going to hit."

For those people, Henry puts the situation in perspective.

"My message to them is, there's not one person around who wouldn't like a do-over, if I could go back to my very first paycheck and start saving," he said. "But it's never too late to start. You're just going to have a higher hill to climb."

James Artman, managing partner with Success Financial Solutions LLC in Green Tree, recommends paying attention to how that hill is being climbed.

"A lot of people have a misconception about how their money is actually growing," he said. "It might look good over the past seven years, but they're not really ahead of where they were in 2008."

That year's financial crisis and other recent downturns have caused many of the well-intentioned members of Generation X to choose their investments accordingly.

"This next generation is very risk-averse," Fleming said. "If they stay too conservative, the funds won't grow sufficiently."

GENERAL STEPS TO TAKE IN PLANNING FOR RETIREMENT, BY GENERATION:

BABY BOOMERS

- Develop a retirement financial plan that lists all your expected monthly income and monthly expenses
- Consider consolidating your IRAs
- Maximize your eligible tax-deferred retirement savings
- Try to pay off your mortgage and credit cards
- Take stock of your current income and resources by making a budget
- Readjust your spending habits so you have more in savings
- Read all the statements you receive from your pension fund, 401(k) or IRA to catch mistakes
- Get help from a financial expert or consider enrolling in a money-management class
- Develop a savings withdrawal strategy for retirement income
- Consider working longer

"THE RETIREMENT CATCH-UP GUIDE" BY ELLEN HOFFMAN; WORK911.COM; BABYBOOMERLIFEBOAT.COM

GENERATION X

- Analyze cash flow and build a better budget
- Make sure your money is invested properly
- Maximize your 401(k) and try to "catch up"
- Eliminate debt and avoid building it up further
- Don't neglect your health
- Don't risk your future to pay for your children's entire education
- Put half of any future raises into savings while enjoying the rest for spending
- Use your creativity to find ways to bring more money in before and during retirement
- Keep tabs on your spouse's savings
- Set up some sort of emergency fund

THE CHRISTIAN SCIENCE MONITOR; 360FINANCIALLITERACY.ORG; WORK911.COM; ABOUT.COM

MILLENNIALS

- Always maximize your employer 401(k)

CONTINUED FROM PAGE 11

percentage you are saving, whether contributing to a 401(k) or saving more on your own into a savings account in a bank or a mutual fund or investment account where you are making regular contributions. ... Take as much as half of it (the raise or bonus) and save it."

get," she said. "I'm not going hungry, utilities are paid, and I'm just having a good old time."

Another factor to take into consideration is taxes. When money is taken out of a traditional 401(k) or IRA account, it's taxed heavily, with 20 percent or 30 percent of the amount going straight to Uncle Sam. If you retire before age 59.5, there's

Brahim recommends having 18 to 24 months of cash available and a balanced portfolio to account for volatility in the markets. He also said it's important to plan for contingencies, such as what happens if one spouse dies or if there are long-term care expenses.

Gallagher recommends people should do a dress rehearsal for a year before actu-