

SURVEY: WHY 'SETTING AND FORGETTING' IS HURTING AMERICANS' RETIREMENT

Strike a balance between checking too often and never at all.



By: Grace Lin - November 27, 2019

While chasing the market isn't advisable, neither is "setting and forgetting" your retirement plan, as it turns out. If your involvement ends at automatic payroll deductions to your 401(k) or individual retirement account, you might not be putting your hard-earned nest egg to work in the right ways.

"Over time, your financial situation and your ultimate goals can change, sometimes dramatically," said Judith Corprew, executive vice president and chief compliance and risk officer of Patriot Bank, N.A. "For this reason, it makes sense to reevaluate your retirement plan regularly."

To find out exactly how Americans are handling their retirement savings, GOBankingRates conducted a survey of 803 respondents, asking about their retirement account balances, how often they check and rebalance those accounts, and their confidence levels toward their chosen investing approach.

[...]

Key Findings

- About 14% of Americans set and forget their retirement savings. Of the survey respondents who employ this investment approach, 15% have less than \$1,000 in their 401(k) or IRA.
- Many people had no idea how much they have saved. Roughly one-third of overall survey respondents said they didn't know their retirement account balance. In particular, it's concerning that 37% of Americans ages 65 and older were in the dark about their savings.
- Women are contributing far less to their retirement savings than men, and twice as many female respondents couldn't provide an estimate of their account balance. Women contribute an average of \$1,331 annually, whereas men add \$2,633 per year, on average, to their retirement accounts — a difference of more than \$1,300.
- Keep an eye on your investments as life progresses, checking to see if your retirement savings accounts continue to align with your goals and other financial considerations. It helps if your investments are managed by the best 401(k) companies or top IRA providers.

People Who Set and Forget Their Retirement Plan Contribute More

While 42% of Americans who have a 401(k) or IRA said they look up the balance every month — it was the most popular response among overall survey respondents — 14% said

they never check on their retirement savings account. Even fewer people rebalance or reallocate their retirement plan on a regular basis. About 30% have never taken such steps, and 19% rely on a professional to do it for them.

On average, Americans contribute \$1,999 per year to their 401(k) or IRA. However, people who said they tend to set and forget their retirement plan end up contributing \$1,131 more, for an average annual total of \$3,130. Roughly half of these individuals check the balance in their retirement accounts once a year or less.

Despite their regular contributions, 12% of overall survey respondents said they're not sure if their 401(k) or IRA is actually doing well. About 6% think they need professional help to grow their retirement savings and wish they had more help with choosing their initial investments.

How Much Americans Contribute To Their Retirement Savings Every Year

Demographic	Dollar Amount
Ages 18-24	\$2,107.59
Ages 25-34	\$1,758.88
Ages 35-44	\$2,250.12
Ages 45-54	\$2,739.19
Ages 55-64	\$2,333.76
Ages 65 and older	\$784.32
Female	\$1,330.62
Male	\$2,633.25

Women contribute far less to their 401(k) or IRA than men do — in fact, they're saving roughly half as much. However, it's interesting to note that female respondents were also more likely to have a professional who rebalances or reallocates their retirement plan. About 22% of women versus 16% of men have gotten professional help with their investments.

But Their Money Might Not Actually Be Going Further

It's reasonable to expect higher returns when you contribute more of your paycheck to your retirement plan — but that might not always be the case. Results will vary depending on the investments that you select.

"You may have chosen the default investment option within your 401(k)," said Matt Wilson, a certified financial planner, chief investment officer and managing director at Keen Wealth Advisors. "Sometimes, the default option might be an age-based mutual fund or target retirement date fund. This fund may not be appropriate for you given your specific goals and appetite for risk. Other times, the default option is a cash-like investment such as a money market fund. It

is highly unlikely this investment will generate the returns needed to fund someone's retirement goals."

How Often Americans Rebalance and/or Reallocate Their Retirement Savings Plan

Demographic	Answer Choice			
	Never	Annually	Monthly	A Professional Does This For Me
Ages 18-24	26.67%	22.86%	18.1%	16.19%
Ages 25-34	36.36%	21.21%	12.12%	12.12%
Ages 35-44	36.26%	16.48%	9.89%	12.09%
Ages 45-54	35.08%	15.71%	10.47%	21.99%
Ages 55-64	29.17%	23.96%	13.02%	17.19%
Ages 65 and older	25.13%	19.37%	11.52%	22.51%
Female	31.46%	19.69%	11%	21.74%
Male	29.37%	19.9%	13.59%	15.78%

Alarmingly, over one-third of respondents ages 25-54 said they have never rebalanced or reallocated their retirement accounts. It's particularly concerning because people undergo many life changes during this long period of their lives, from buying their first home to having children — which means their financial goals and risk tolerance may shift considerably as well. Even worse, 29% of respondents ages 55-64, who are on the cusp of retirement, said they never rebalance or reallocate their investments.

[...]

About 15% Have Less Than \$1,000 in Their Retirement Accounts

The habit of not rebalancing or reallocating your retirement plan can reflect in your account balance over time. Americans who set and forget their 401(k) or IRA were just as likely as overall survey respondents to have saved less than \$1,000 for retirement — even though they contribute significantly more. About 15% of both groups revealed that they have minimal retirement savings.

"People who set and forget the automatic savings to their retirement accounts, specifically 401(k)s and IRAs, commonly make the mistake of not adjusting their dollar amount per paycheck when they receive pay increases," said Michael Foguth, president and founder of Foguth Financial Group. "As you move up with an organization, your pay will likely increase. This in turn should increase contributions to your retirement accounts. For example, when you hired in, \$100 per paycheck may have been what you could afford at the time, but 10 years later, you should not still be contributing \$100 per paycheck."

Read the whole article at <https://bit.ly/35Djy3u>

Michael Foguth, Founder of Foguth Financial Group, specializes in working with retirees and those nearing retirement who desire to protect their hard earned money and ensure that it is there when they need it.



For more information please visit foguthfinancial.com or call 844-4-FOGUTH.