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The Rough Consequences of Not Saving for Retirement

Do you really want to risk facing these potential outcomes?

SAVING FOR RETIREMENT MAY SEEM A THANKLESS TASK. But you may be thanking yourself later. Putting away a percentage of one's income – money that could be used for any number of bills or luxuries – is a sacrifice made in the present in order to avoid a larger trouble down the road.

MORE THAN A QUARTER OF SENIORS HAVE NO RETIREMENT SAVINGS. To be more specific, the Government Accountability Office says 29% of households headed by people 55 or older have no savings in a retirement account and no possibility of receiving an employer pension.¹

In late 2016, a PWC survey revealed that 37% of baby boomers had less than \$50,000 in retirement assets. Just 24% of baby boomer households PWC polled had saved more than \$300,000 for their "second acts."²

WHAT KIND OF FUTURE AWAITS BOOMERS WHO HAVE SAVED LESS THAN \$50,000 FOR RETIREMENT?

It is hard to say exactly what may happen to them financially, but it is possible to make some educated guesses.

THEY WILL LIKELY TRY TO WORK INTO THEIR SEVENTIES. If their health permits, they will attempt to stay employed, at least part time. Their earnings will presumably drop as they age.

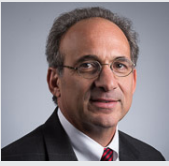
THEY PROBABLY WILL RELY HEAVILY ON SOCIAL SECURITY AND HOME EQUITY. Social Security income by itself will prove insufficient to retire on, so they will look at selling their homes or arranging reverse mortgages to help fund their retirement – that is, if they own homes.

A fortunate few may have a third option: augmenting their inadequate retirement savings with proceeds from a business sale. Some small business owners save relatively little, believing that the money they get from selling their company will fund their future. That is not a given. It may take years for their business to sell, and it may sell for less than they assume.

WITHIN A FEW YEARS, THEY WILL NEED TO ACCEPT A SIGNIFICANTLY LOWER QUALITY OF LIFE.

They may be forced to scale back creature comforts, live in tiny quarters, or relocate to a cheaper, less desirable area (assuming they can handle relocation costs).

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AT SOME POINT, THEY MAY START SPENDING DOWN THEIR ASSETS. If they do enough of that, they will be eligible for Medicaid, a grim consolation. Debts may impel them to whittle away their net worth even more quickly.

THEN, THEY MAY NEED HELP FROM THEIR CHILDREN. Having little or no income besides Social Security, they will struggle mightily to keep up with the bills. If they own their homes free and clear, at least they will be able to stay in them; if not, they may choose the apartment of last resort or move in with one of their adult children.

WILL THIS BE YOUR FUTURE? If you want to plan to avoid the above, then you must save and invest for retirement. Save and invest as if your entire future depends on it, for it may. Saving and investing now could help you save your future quality of life.

CITATIONS.

1 - smartasset.com/retirement/average-retirement-savings-are-you-normal [3/29/17]

2 - fool.com/retirement/2016/12/17/baby-boomers-average-savings-for-retirement.aspx [12/17/16]

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