



THE AMERICAN IRA & 401k CRISIS

Have you heard about the American IRA/401(k) crisis?

It's getting worse and if you are part of the "baby boomer" generation, you really need to be aware of the ways in which the crisis could cause your retirement savings to crumble. At the current moment in time, approximately half of workers in the United States do not have a retirement plan sponsored by their company. What is the reason for this, you ask? Well, with 45% of small businesses in the U.S. failing to present their employees with 401(k) accounts, the motivation to start funding fidelity is pretty much non-existent. So severe is the lack of savings that the American IRA/401(k) crisis is being described as the "retirement revolution that failed." (*cont.*)

While things started off quite well following the launch of the 401(k) in 1978 and the introduction of the Individual Retirement Account (IRA) in 1988, unexpected circumstances in the monetary department has led to major obstacles cropping up for people aiming to achieve the all-important American dream. A plateau in savings progress is noticeable more than ever, with a large portion of Americans lagging in the financial department. Actually, plan holders would need to hold over \$1,000,000 in the bank to maintain the lifestyle of a median retirement savings account holder.

Despite the fact the financial horizon might look quite bleak right now, there is still a chance for Americans to take the reins and rescue their retirement.

It is no secret that the world of finances is generally quite topsy-turvy and hard to predict, but this doesn't mean that there is zero potential to stock up on investments and create a comfortable future for you and your family. Despite the fact the financial horizon might look quite bleak right now, there is still a chance for Americans to take the reins and rescue their retirement. There is much to be learned from the rest of the world. By focusing on current trends, the chances of finding a solution to the looming IRA/401(k) disaster will heighten.

QUICK FACTS ABOUT THE IRA/401(K) SITUATION

How confident do you feel about your financial situation? You are probably not that confident, what with all of the economic turmoil happening lately, but it appears that Americans are feeling slightly better about their situation than they were between the years 2009 and 2013. It was during this time that the major financial crisis swept across the U.S. Nevertheless, the number of people who have a solid retirement plan (be it a 401(k) or IRA) put into place as opposed to those who do not is a big contrast.

Although a sizable portion of Americans claim to feel confident about settling down for retirement, not many people have the savings to back up their feelings, with the majority of Americans falling behind by great means. Less than \$25,000 has been saved by 54% of retirees according to a study conducted by time.com and just \$1,000 is being put aside by two-thirds of people who have failed to put a plan into place.

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In the midst of the IRA/401(k) crisis, an alarming amount of workers have not even taken the simplest steps and even fewer people have sat down with a financial advisor to figure out what their health care costs will be, not to mention how much Social Security benefits have been piling up. There is also massive disinterest in people seeking out advice on the Internet, even though online information could aid in compiling a written financial plan for retirement. Furthermore, workers are remaining in the workplace way past the typical retirement age of 62, simply because they are concerned about earning to fund the future.

WHAT IS THE TRUE COST OF THE CRISIS?



Middle class people are finding it a challenge to put money away for fidelity, due to economic difficulties stripping families of their financial freedom.

The American Benefits Council (ABS) estimates that half of Americans have saved just \$10,000 for retirement as a result of the IRA-401(k) crisis. This is certainly not enough to support a comfortable lifestyle when you consider the fact that the recommended savings amount is \$250,000! So, how have things crumbled at such a rapid rate? Well, since the “three-legged stool deteriorated (Social Security, savings and pensions), retirement security has weakened immensely.

Based on findings gathered by the ABS, out of all the people operating in the private sector workforce, a mere one out of five has established some kind of defined benefit pension plan. It’s not really a surprise that middle class people are finding it a challenge to put money away for fidelity, due to economic difficulties stripping families of their financial freedom.

If we gaze further into the future, the real costs are significant and most certainly cannot be ignored. Near enough six million Americans approaching the age of 65 fell into the poverty or near-poverty living categories in 2010. What’s even more frightening is the expected increase of 33% by 2020. With so many people thinking that their Social Security “safety net” is enough to keep a roof over their head, feed them and generally allow them to lead a happy life, the likelihood is that pensioners will be forced to work a low-paying job due to their lack of pension.

THE WORRYING RETIREMENT SAVING REQUIREMENTS



Fidelity Investments advises retirees to contribute 15% of their salary throughout their entire career to IRA or 401(k) plans.

Isn't retirement meant to be a time when families cherish one another and the finer things in life? Unfortunately, what should be a happy time is quickly turning into a daunting time, because the required fidelity investments seem pretty impossible to achieve for most. Ideally, by the time someone turns 35 their retirement savings should be double their salary, at least and by the age of 40, the salary figure ought to triple in terms of savings. Growth should continue until the retiree reaches the "comfortable" age of 67, but this is not happening.

Baby boomers are going to be looking at their parents and wishing they were enjoying a similar retirement. Financial security is looking bleaker by the day, what with Americans failing to meet basic guidelines set out by financial advisors. Over half of Americans will not be able to afford the necessary things, such as food, health care and housing costs. Fidelity Investments advises retirees to contribute 15% of their salary throughout their entire career to IRA or 401(k) plans. The harsh reality is that most are way below this target and are essentially leaving money on the table.

SOCIAL SECURITY INCOME STABILITY



The total amount of Social Security benefits claimed simply won't be enough.

For quite some time, the people of America have been relying on Social Security income as a way of supplementing their income earned from employment. Sure, it is fortunate that this form of monetary stability remains present, but it is unfortunate that so many soon-to-be retirees are solely depending on it for their older years.

More than 59 million people around the U.S. received a staggering \$870 billion in benefits throughout the year 2015. These people included:

- Dependents
- Survivors
- Disabled workers

The total amount of Social Security benefits claimed simply won't be enough, because in order to maintain the living standard prior to retirement, 65-85% earnings are necessary. How much financial stability does Social Security provide, you ask? Just 40% is the answer!

Here are some facts you might not have known about Social Security benefits:

- Seniors lean on Social Security heavier than any other type of pension plan.
- Approximately 55% of the people claiming benefits are women, according to data gathered by the Social Security Administration (SSA).
- One in 10 people claiming benefits have been declared to be living in poverty.
- Non-married individuals tend to reside in poverty-stricken circumstances more than married individuals.
- Most people are unaware that their Social Security benefits could actually be taxable.
- Although the program is being taken advantage of, it is nowhere near going bankrupt quite yet.

Ordinary people will not even come close to leading a content lifestyle if they continue to cash in their benefits checks and turn a blind eye to retirement investments. The main reason why increasing amounts of money is being claimed from the SSA is not so much down to low incomes but instead, poor spending and saving habits.

REFORMING THE WARPED WORLD OF RETIREMENT



A retirement plan is designed to supplement income and other savings, so you shouldn't turn your back on other investment opportunities out there.

Just because Americans are finding themselves swamped by an IRA/401(k) crisis, this doesn't mean that there isn't an opportunity to solve the crisis. Actually, there are a number of principles you could put into place and a variety of solutions that might wipe out financial risk altogether to aid you in rebuilding that all-important pension.

Here are a few tips to help you straighten things out in the warped retirement world:

- **Diversify Your Portfolio** – Traditional retirement accounts mainly include stocks, with a few bonds here and there. The trouble is, during a stock market crash, the value of your retirement account crashes with it. The best way to protect your retirement account is by diversifying with alternative assets, like gold & silver. Gold & silver historically gain value during a stock market crash, and in many cases your IRA or 401(k) could actually be worth more during a stock market crash thanks to gold & silver.

- **Retirement Plan Coordination** – From rolling over an IRA into a 401(k), to browsing the various options made available to investors, there is more than one way to merge a retirement plan and steer clear of financial burdens. Of course, the current system is working for some people but for others, it is failing or at the very least, proving troublesome. Keep in mind that a retirement plan is designed to supplement income and other savings, so you shouldn't turn your back on other investment opportunities out there. When pension arrangements are coordinated seamlessly, funds will flourish and worries about the future will fast float away.
- **Sharing Responsibility for Retirement** – It's only fair that responsibility is shared evenly among the government, employers and the individuals who are putting money into their retirement savings account. Dignity can be regained by retirees who know when, where and how to start saving for retirement. The sooner everyone realizes that retirement is a responsibility that ought to be shared, the sooner individuals will be able to fall back on an income stream that is impossible to out-live.
- **Contacting a Professional for Account Management** – Whether you have already set up an IRA/401(k) account or are in the process of doing so, communicating with an expert in the fiscal field will be more than worthwhile. Having someone to tell you what to do when times get hard will prevent you from panicking and making typical "baby boomer blunders", such as withdrawing a lump sum out of your retirement account and being hammered with taxes and penalties.
- **Don't Just Focus on Holding Bonds** – There is some big misconception surrounding bonds, with a lot of Americans believing that to evade the financial crisis and secure their family's future, they should expand on their portfolio solely with bonds. Although bonds can act as somewhat of a safety net at times, they aren't as attractive as stocks and if interest rates were to rise, their worth would plummet in the future. What's the conclusion, you ask? To diversify.

CONCLUSION

The retirement income deficit has reached an astonishing \$6.6 trillion, proving that the suspected rumors of a financial retirement crisis are more than just Chinese whispers. Making brave and bold attempts to coordinate your savings, spread investments properly and seek guidance from professionals when necessary will protect you and your loved ones in the retirement years, allowing you to genuinely enjoy golden-year activities.

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