

Can People with Kids Ever Afford to Retire?

Yes, But
Start Now!

BY CRIS BORDEN, AIFR

The past two years have been anything but easy for most families in Hawaii. Many jobs were lost and personal savings decimated by poor investment decisions and the need to tap into retirement nest eggs to replace lost wages. It is estimated that of the 100 million Americans in their working years, only 4 million will successfully save enough money to retire with dignity. Yes, you heard that correctly, only 4 percent of our country's workforce will have enough money at retirement to last them through their Golden Years. The other 96 percent will struggle to maintain a decent standard of living in retirement and will most likely outlive their assets.

In Hawaii, where our incomes are generally lower than on the Mainland and the cost of living is generally higher, we estimate that the retirement success trajectory will be even lower than 4 percent. A massive crisis is looming if savings habits do not improve quickly. Our state and federal governments will be overburdened by massive waves of demand for social benefits and families will be fiscally and physically strained by the demands of having to care for parents and grandparents who do not have the financial capabilities to provide for themselves in retirement.

What can Hawaii's families start doing today to improve their odds of retiring with enough savings?



1

If your company offers you a 401(k) plan, use it!

The 401(k) is by far the best retirement savings vehicle for Hawaii's employees if it is used properly. As a rule of thumb, each employee can put \$16,500 of their annual pay into their 401(k) on a pre-tax basis. Compare this to an individual retirement account (IRA) that limits annual contributions to \$6,500 per person.