Wye Trust
16 N Washington Street
Easton, MD 21601
Office 410.763.8543
info@wyefinancial.com
www.wyetrust.com

Retirement Regrets

Although everyone knows that it's important to save for retirement, it is a hard habit to acquire and maintain. That accounts for the success of 401(k) plans, in which the retirement contribution happens before the paycheck is received. Still, the employer plan is just one leg of the three-legged stool needed for financial security in retirement—the other two legs are Social Security and private, after-tax savings.

A study from the National Bureau for Economic Research looked at the regrets expressed by a sample of 1,764 persons over age 50. Two thirds were already retired. Some 57% reported that they regretted not having saved more for retirement. The next largest regret, at 40%, was not buying long-term care insurance, followed by 37% who believed that they should have stayed longer in the workforce. A lifetime annuity provides guaranteed monthly payments throughout retirement, and 33% wished that they had purchased such a plan. 23% regretted not delaying their Social Security benefits to get a larger monthly payment, and 10% regretted that they had become financially dependent upon others.

The study participants were divided into three groups. The first group was a control, the second had subjective information on longevity, and the third had objective information on longevity, the likely length of their retirements based upon actuarial tables. Interestingly, with more information at hand the amount of regret rose. Regret for not having long-term care insurance doubled, and regret for not having an annuity rose by 2.4 times.

The bottom line would seem to be that younger people need to receive more information on the longevity risk in retirement while there is still time for them to do something about it. Coupled with tax incentives for retirement savings, such education could help more people have more secure retirements.