# There's a retirement crisis in America where most will be unable to afford a 'solid life'

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## KEY POINTS

- The three "legs" of the retirement "stool" (private savings, pensions, and Social Security) are all in dire shape.
- At Vanguard, the median 401(k) account value for an investor age 65 and older is a measly $58,035.
- After looking at the data, the Saint Louis Fed concluded: "It could be worrisome that, for many American households, the total balances of their retirement accounts may not be sufficient to ensure a solid life in retirement."
- CNBC has unveiled "Invest in You: Ready. Set. Grow," a financial wellness initiative in partnership with Acorns, which will offer a variety of actionable personal finance content aimed at helping empower people to develop savings strategies.

It’s financial literacy month, do you know where your retirement is?

CNBC Chairman Mark Hoffman rings the NASDAQ opening bell today to kick off the special month, created in 2003 to teach Americans how to establish and maintain healthy financial habits.



Americans can sure use help with retirement. Baby boomers, in particular, have not saved nearly enough for retirement. They’re going to live longer than they think, and if trends continue, many will run out of money before they die.

Just look at the state of the three “legs” of the retirement “stool:” private savings, pensions, and Social Security.

## Private Savings:

Let’s start with private savings. At Vanguard, the average 401(k) account value for an investor age 65 and older is $192,877 in 2018, but that number is inflated by a small group of longtime super-savers. The median balance among the age group, where half have more and half have less, is a measly $58,035.

Average that out over 20 years — most Americans should expect to live into their 80s — and that is not a lot to pull out on a yearly basis, perhaps a little more than $3,000.

Some lucky Americans have more than one retirement plan, because they may have had multiple employers. Their picture is brighter than the example above, but it doesn't change the overall picture too much.

## Pensions:

The state of those who have pensions are not much better. The median private pension was only $9,376 a year, according to the Pension Rights Center (state, local and federal pensions were higher).

## Social Security:

That leaves us with Social Security. In 2018, the average Social Security check was $1,422 a month or $17,064 a year.

So let's add up what our yearly payments are:

- Personal savings $3,000
- Pension $9,376
- Social Security $17,064

Total: $29,440

It's certainly possible to live on $29,000 a year, particularly if you own your home, have low expenses, and live in a relatively low-cost part of the country.

But it is hardly a robust retirement.

And remember: these are the lucky ones. A 2018 study by the Federal Reserve Bank of Saint Louis found that only 27 percent of households have a defined benefit plan (a pension), while only 33 percent have a defined contribution plan (usually a 401(k)).

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Other forms of personal savings don't add much: the same study found that of households that do not have a company sponsored pension or 401(k)-type plan, only 20 percent have an IRA or Keogh account.

Most young Americans are no longer getting pensions of any kind, so there is an even greater onus on them to save more.

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## Invest in You

CNBC is doing its part to help, unveiling "Invest in You: Ready. Set. Grow, " a financial wellness initiative in partnership with Acorns, which will offer a variety of actionable personal finance content aimed at helping empower people to develop savings strategies.

VIDEO 02:19
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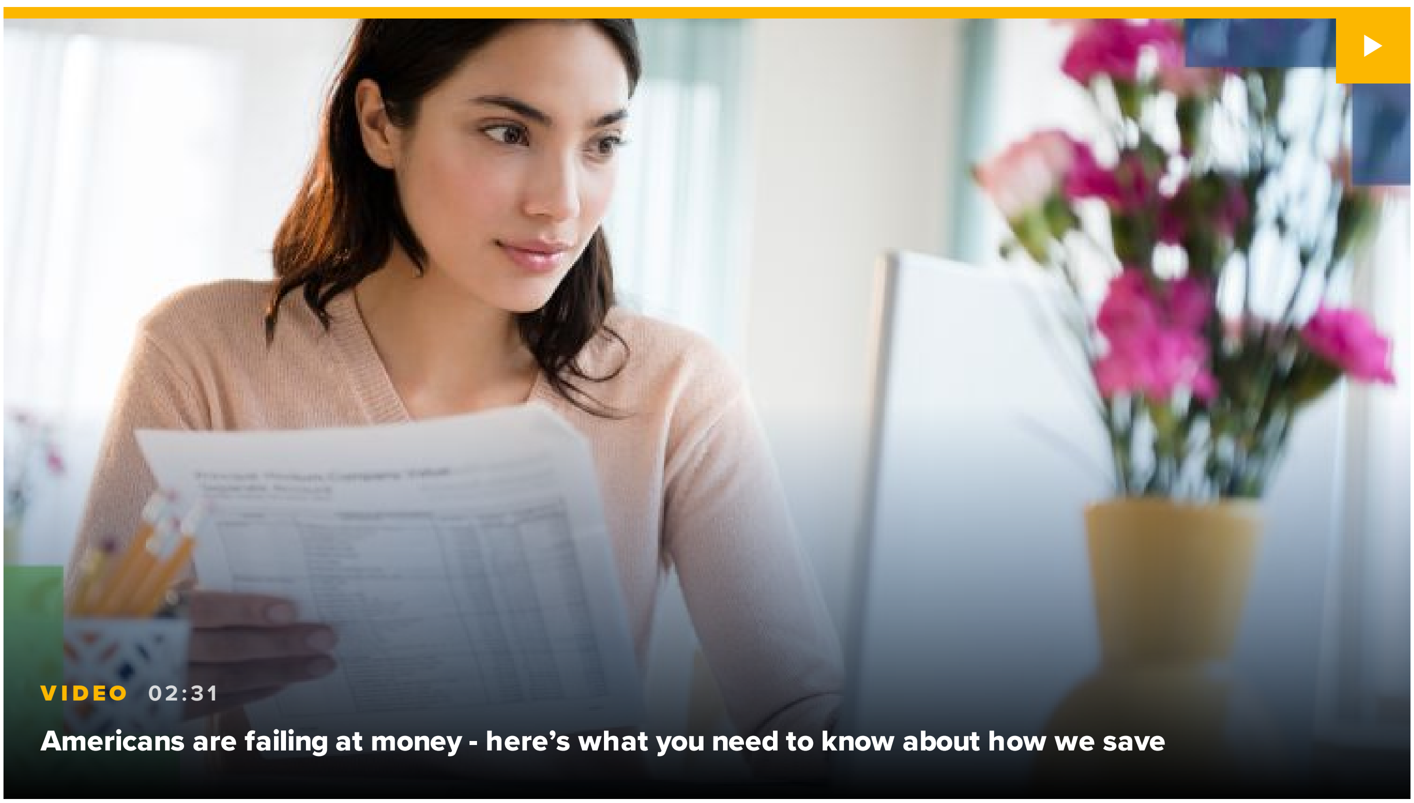
Even Congress recognizes the need to do more. A bipartisan bill, H.R. 1007, the Retirement Enhancement and Savings Act (RESA) of 2019, has been introduced in Congress, which will provide U.S. workers increased opportunities to participate in an employer-provided retirement plan. It would remove restrictions that allow small businesses to band together in a Multiple Employer Plan so they achieve economies of scale and make it easier for employers to offer a retirement plan to workers.

It would also help savers make more-informed decisions regarding their finances by providing lifetime monthly income estimates on benefit statements. Wouldn't you like to know how much income your investments might throw off some time near retirement?

Most importantly, RESA will increase opportunities for workers to save by enhancing automatic enrollment in retirement accounts. Automatic enrollment is extremely successful in getting more people to save for retirement with participation rates at least 10 percentage points higher in plans with automatic enrollment.

Want to know more on how to save for retirement? Check CNBC's special report Invest in You: Ready. Set. Grow.




*Disclosure: NBCUniversal and Comcast Ventures are investors in* Acorns.

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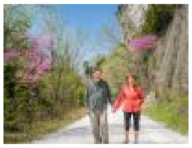

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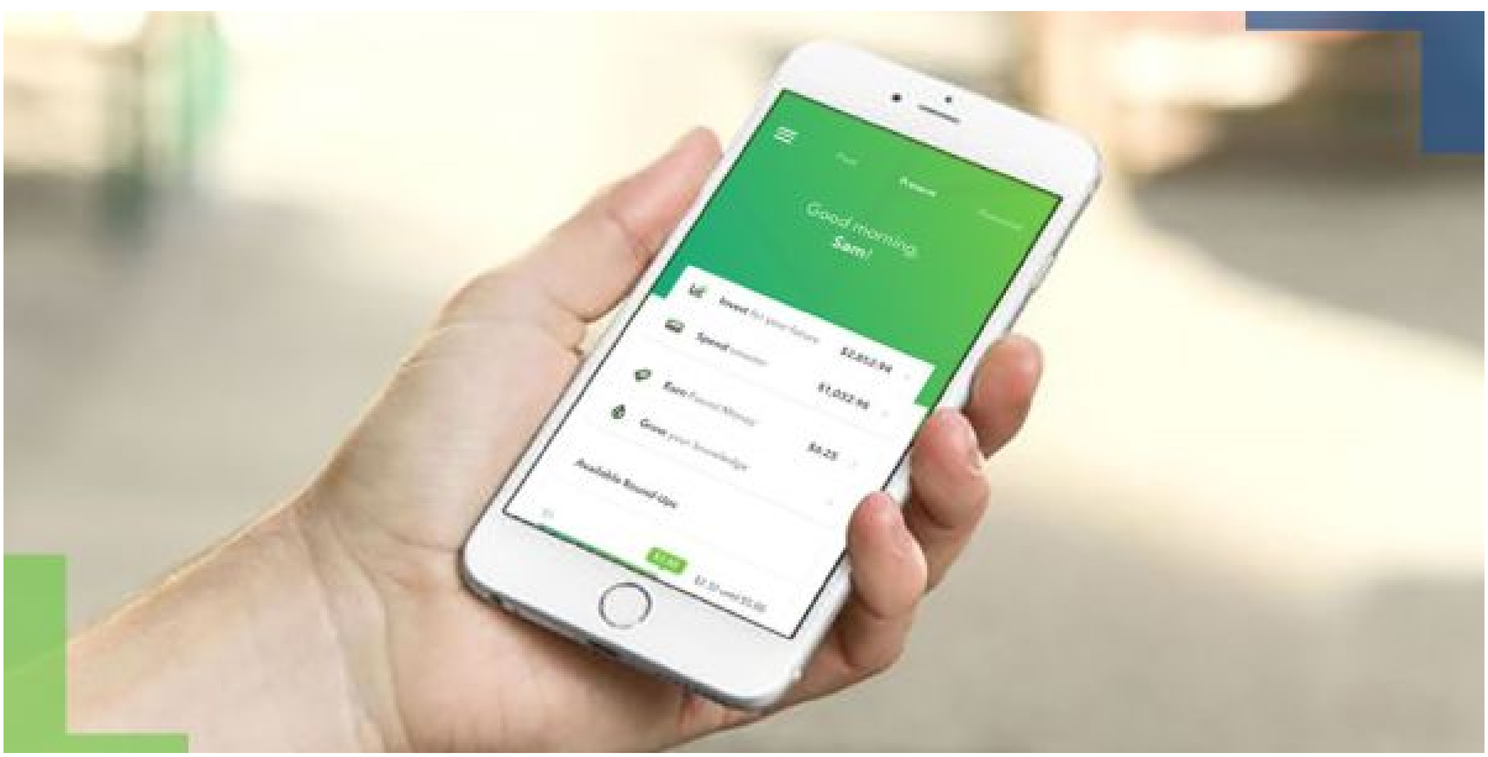

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