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54% of workers stopped or reduced their 401(k) and other retirement savings between July and September.

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By Dee DePass, Star Tribune (TNS)

More than half of American workers have cut or stopped contributing to their retirement savings plans to cope with soaring prices and 40-year-high inflation rates.

The findings come from a third-quarter market perceptions study by Allianz Life

study found.

Gen Xers, however, reported being the most worried about how the rising cost of living will affect their long-term finances and retirement plans.

Clients at ClearPath Advisors in Wayzata, MN, talk about it a lot, said Cory Zafke, the firm's co-founder.

"We have had some people pull back a little bit. And it's a bit of a doubled-edged sword because even though inflation is up, the market is down," Zafke said, "The more you can put in [a 401(k) or similar plan] when the market is down, the more [you] will have when the market goes back up."

Ameriprise Financial adviser Lisa Tuttle said clients' stress about inflated prices is so pervasive she tackles the subject head on.

"I have heard the question many, many times over the last year: 'Should I be cutting back on my 401(k)?'" Tuttle said. "(My clients) are certainly feeling the impacts everywhere."

In a bear market, saving for retirement becomes a conundrum.

People often struggle when they put money into their 401(k) plan, then immediately see that balance go down because of stock market gyrations. That, piled on top of rising prices, wears on clients' emotions, Tuttle said.

Rather than curtailing retirement plan contributions, Tuttle steers clients instead toward cutting expenses. Stop eating out. Put up with that old jalopy of a car for another year. Trade luxury grocery stores for discounters and forget about lavish holiday gifts.

But even with her coaching, roughly 1% of her clients won’t be dissuaded and end up

The $20 billion asset management firm Mercer also surveyed workers across various demographics and found 75% were significantly financially stressed because of inflation and market volatility.

The pullback on retirement savings hit just as the federal government boosted limits for tax deferred retirement savings by $2,000 a year. In 2023, those under age 50 can squirrel away $22,500, while those over 50 can stash as much as $30,000 in tax deferred income.

But, for many, such limits are impossibly out of reach, financial planners and economists concede.

One in three workers making less than $60,000 took on second or third jobs so they could handle rising prices of everyday items such as gas, food, utilities and rent, Mercer’s 2022 Inside Employee’s Minds Study found.

In October, the Federal Reserve Bank of Minneapolis reported that Minneapolis food shelves were swamped this summer as average food prices jumped 13% from a year ago, causing many shoppers (60% of those surveyed) to eat less, stop buying costly veggies or to seek help procuring food.

The Joyce Uptown Foodshelf in Minneapolis saw food requests more than double to 6,200 clients from before the pandemic, wrote Fed researcher Haley Chinander in an October report.

Inflation is affecting the cost of basic needs so often that concern over retirement accounts can be shoved to the side.

Because of inflation, “covering monthly expenses now claims the top spot (among concerns), up from No. 9 in 2021,” said Adam Pressman, Mercer’s U.S. Employee

Research Leader. "The ability to retire is now the second top concern amongst all

retirement," LaVigne said.

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