having enough to get by in retirement, a study shows.

Nov. 07, 2023

By Seychelle Thomas, Kiplinger Consumer News Service (TNS)

Inflation hits everyone differently, but for some Americans, the high cost of goods and services means cutting back on long-term financial goals.

In October, Bankrate released a new study that surveyed over 2,500 U.S. adults across multiple generations. They found that younger generations tend to be more optimistic about saving for retirement despite most estimating that over $1 million would be needed to retire comfortably. Are younger generations right to be

quarter of respondents didn't know and another 28% estimated needing between $1 million to $10 million. With such lofty goals for retirement, it's concerning to see some age groups deprioritizing saving for this life stage.

The age group most likely to pause retirement contributions this year was Gen Z (ages 18 to 26). Arguably, they have more time left to save compared to other generations, which is likely why they're showing more optimism in survey results despite saving less.

Millennials were more likely to keep their contributions the same since last year (35%). Conversely, another one in five millennials didn't contribute at all. In the August 2023 survey, 45% of Gen Z reported being right on track, slightly ahead, or significantly ahead of their retirement savings goals. Millennials reported the same optimistic sentiment as Gen Z with almost identical percentages.

The reality for younger adults

As a millennial navigating a tumultuous economic environment for the second time in her life, I prefer to approach retirement savings with a realistic lens and tend to land somewhere between positivity and pessimism.

Despite the oldest millennials having a little over two decades to save for retirement, and the youngest Gen Zers having over 45 years left, it is reasonable to be optimistic about our ability to rebound from the financial pressures of inflation. Reaping the benefits from retirement savings interest and dividends over time could still allow us to reach our savings goals. It helps that there are expert opinions to back this up.

Bankrate's Senior Economic Analyst Mark Hamrick noted, "While inflation over the past couple of years might be a likely culprit for those struggling to meet their savings goals, the good news here is that wage growth now outpaces the rate of inflation. At the same time, the job market remains tight, and the unemployment rate

buying homes much later than their parents and at a much higher cost. Earlier generations have also relied on the social safety net they've contributed to for most of their adult lives. Meanwhile, the same safety net that we've also contributed to might not exist for us.

According to government projections, the Social Security Benefits Trust Fund is expected to run out of money in 2033, four years ahead of its original 2037 schedule and well before even the oldest millennials are set to start retiring. Social Security benefits are modest at an average of $1,706 per month as of September 2023. Obviously, Social Security isn't the main course of any retirement plan, but the monthly payment could make a sizeable chunk of retirement income and help people meet their obligations. Without changes to the program, Social Security benefits could be slashed by 23% to 25%.

Gen Z and millennials are primarily optimistic about having enough to retire comfortably because we have time, compounding interest, and higher wages on our side. Could that change down the line as transformations to our social security system become concrete and we have less time to make up the difference? Potentially.

Benefits • Human Resources • Payroll

Sponsors.