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Not so fast! Skimping on that retirement account today is like picking your own pocket tomorrow, advisers say.

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BY ERIC E. HARRISON ARKANSAS DEMOCRAT-GAZETTE

With the economy on the edge and a constant flow of reports about job losses, layoffs, pay cuts and mandatory furlough programs, it's not surprising that a lot of Americans are more concerned with making ends meet day-to-day than with retirement.

"In their concerns about reducing debts and cutting expenses, employees are ignoring retirement planning," according to a recent research project by Financial Finesse, a California-based company that provides financial counseling to employees of more than 300 large American corporations.

Meanwhile, many companies have cut back, or dropped, matches to 401(k) retirement programs at the same time the market of most of those programs has dropped 20 percent or more.

And Social Security, which is supposed to be the ultimate retirement safety net, could soon reach the point at which there will be more retirees taking money out of the system than workers putting money in.

Financial Finesse's research project predicts that with millions of baby boomers on the cusp of retirement, a possible "'perfect storm' for retirement planning will have a huge impact on our society."

"The credit crisis was the first financial crisis to hit us. The retirement crisis will be next," the report warns. "We believe [it] will be both more significant and more prolonged than the current economic crisis."

The report, titled "Trends in Employee Financial Issues (Q1 2009)" (www. financialfinesse.com/research.php), is based on research the company has been doing over nine years, tracking calls to the company's financial help line and analyzing trends in consumer spending, saving and investing habits.

It notes:

"Most employees experienced at least a 20 percent decline in their retirement assets from 2007 to 2008, with further declines in 2009.

“[Eleven] percent of companies reduced or eliminated their retirement plan matches in the last six months of 2008 with more expected to do so in 2009.

“Hardship withdrawals and loans are increasing with no signs of slowdown as employees turn to their retirement plans for money to survive these difficult economic times.

“Most companies are also experiencing declines in retirement plan participation and deferral rates as employees are questioning whether or not they should be investing in the stock market right now.”

John Ostner, owner of Little Rock-based Retirement Advisors of Arkansas, says the image of the “perfect retirement storm” is probably overblown, a doomand-gloom scenario that is born out of uncertainty.

“There are a lot of piranhas that feed on the fear of the unknown, ... especially when the market’s down,” he says.

Ostner draws the analogy of a rainy January when it’s cold and dark when you get up and cold and dark when you get home.

“There’s the fear that this will go on forever. It doesn’t,” he says.

“Yes, a lot of people are reaching retirement age without as much money as they anticipated because of the market drop and they feel like the market drop will last forever. But that’s really not the case.

“They think they need all their retirement money at one time in a lump sum. But you really only need a little slice of it at any one time.”

‘NOW’ ECLIPSES ‘LATER’

Liz Davidson, chief financial officer of Financial Finesse, says it’s easy to understand how dayto-day concerns could eclipse long-term financial goals.

“In some cases they have urgent issues they do need to take care of,” she says. “In many cases, it’s maybe a little bit of an overreaction to the financial crisis and a feeling that, ‘I just can’t afford to worry about retirement now.’”

People feel they need to use money they would otherwise save for retirement to build their emergency funds, “just to make sure that I’ll be OK in case something happens,” she says.

“What people often tend to do is they panic, at the exact wrong time,” Davidson says. “We’ve seen a little bit of a run-up in the [stock] market since March; I think there are a lot of investors who earlier this year ended up shifting their assets to cash, they sold their mutual funds [and] their stock investments at the wrong time, as opposed to taking a longer-term view.

“It’s easy for us to say, when we’re feeling good and we’re in our 30s and 40s and even 50s, ‘I can put off retirement, I don’t need to retire.’ Our concern is that people are going to feel differently when they near retirement age and they don’t have enough money.”

Ostner is also seeing a shift from retirement accounts to cash, but he says it's generally for the right reasons.

"What I see happening is people shifting money from their retirement savings toward debt reduction, which is a smart move," he says.

"The issue of too much debt is one of the biggest obstacles to people being able to retire. I've definitely seen people forced to work longer because they couldn't carry their debt load into retirement."

Little Rock-based financial planner and money-management expert Mary Ann Campbell recommends creating a budget and planning ahead for, or at least being aware of, potential changes in your financial status.

"You can't do retirement planning if you're deep in debt," she says. "And don't take for granted that your cash flow is going to be the same as it used to [be]."

Campbell, who doesn't see any quick end to the tough economic times, suggests battening down the hatches and riding out the storm.

"I've been telling people moderation in all areas," she says. "Don't panic now; don't go all the way either way: Don't pull everything out, don't put everything in.

"Don't stop living, but don't live as high. Don't stop going, but don't go as often."

BIGGER FUND, LONGER FUTURE

As people live longer, into their 80s, 90s and beyond, they may need to have socked away more on which to retire than they might have a generation ago.

"We need to plan for ourselves," Davidson says. "Maybe 30 years ago, our company would have given us a pension, and Social Security was a much safer proposition. It's a different world now.

"People are behind because of the downturn, and they might be compounding the problem by investing too conservatively, [or] taking money from their retirement plans in the form of a hardship withdrawal or a loan.

"Or we're hearing employees say, 'I need to take down my deferral rate into my plan, so I'm saving less for retirement so I have more money for today.'''

All of those things just make the problem worse, Davidson says.

"It's kind of a one-two punch. The first punch came from the market and the economy, the second, people are effectively doing to themselves.

"Many employees are now working for firms that have stopped the match, or maybe they've had a pension before and they've frozen the pension," she says. "And there's the uncertainty about Social Security on top of everything else."

DO NO HARM

“I think it’s important to not make matters worse,” says Nancy L. Anderson, resident certified financial planner at Financial Finesse, whom Davidson describes as “director of our ‘think tank.’”

She lists four basic steps toward taking control of your finances.

“The first is to really see where they are, maybe do a retirement calculator, work with a financial planner or use an online calculator to see if they really are off-track, and how far. Sometimes we find people are actually closer than they think they are.”

“Determine the investment mix you have in your 401(k), [see] if it’s the right allocation for you. Many people have moved assets to classes that are short term when their investments [should be] long term. Many people were way too aggressive in their plans before and they’re maybe overreacting, and that could hurt them in the long run,” she says.

Anderson recommends that your portfolio match your “investment temperament.” Your 401(k) manager or financial adviser can help you set up a risk tolerance profile.

“Your money might be aggressive, but if your heart is conservative, then your money should be conservative,” she says.

“Third, get out the pencil and the yellow pad — or Quicken — and do a budget. And really work within the budget,” particularly if you or a family member is seeing pay cuts, furloughs, layoffs or any combination thereof.

“If you can live within or slightly below your means now, and not go into debt, but really manage that household money during this time, even to just tread water, that can make a big difference in the long run,” Anderson says.

“In that case, it’s really doing what you can by trying to not go into debt. There are a lot of things people can cut that are not essential.”

Ostner says most of the people he sees who claim to be cashstrapped are “strapped because of their choices — it’s not that they don’t have the money, but ... because of their lifestyle decisions.” For a family making a monthly house payment, two car payments and boat payment, he says, “one of the easiest places to say, ‘Well, I’ll wait ’til next month,’ is to back off their 401(k).” That isn’t smart, he says.

The fourth step, Anderson says, is if you have a company match, contribute at least up to the company match, or at least something, because if you have to reduce your contributions to your 401(k), that’s a lot different from stopping them completely.

“Keep that momentum going. And for those people that really go through their budget, they may find money that they could add to the 401(k) or keep those contributions going, so they don’t, in hindsight, look back and say, ‘Man, I really made a big mistake during that time period. I wish I could have tightened my belt a little more.’

“If they can really tighten their belt now, then they won’t have to tighten their belts in retirement.”

“We try to encourage people to keep the discipline of constantly putting money into the retirement plans because they’re gaining toward what’s called ‘dollar cost averaging,’ which is the average person’s road to wealth,” Ostner says.

“What that means is, let’s say you’re putting $100 a month into your retirement plan. You’re going to put it in every month this year, whether the market is up or down. You average your way in rather than try to time the market.”

Through monthly payroll deposits that many workers barely remember they’ve set up, “most people are dollar cost averaging without knowing what the concept is,” he says.

And if your employer does match, totally or partially, your 401(k) contribution, you should absolutely jump at it, Ostner says.

“We teach a lot of financialplanning seminars, and in those seminars we teach a concept called ‘snatch the match,’ which means that if your employer is going to match you, then you do everything you can to meet his minimum, because it’s free money.

“A lot of companies don’t match, but the reason is, the company is [going through] hard times. When your employer puts a dollar into your 401(k), it gets a tax deduction for that, but it’s got to have a dollar to do it.

“We see a lot of employees who really are better balanced in their savings and budgeting than the companies they work for.”