

Clients Get Practical About Retirement

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Clients Get Practical About Retirement

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Americans say that despite daunting circumstances, they have developed a more practical attitude toward money and retirement since last year, according to a study by San Francisco based consultant Age Wave. And that's good news for financial planners, says CEO Ken Dychtwald, because Americans know they need planners' help.

In a new study, Age Wave found that only 4% of respondents strongly agree that Americans behave in a financially responsible manner. An overwhelming 95% of respondents says financial management should be taught in schools, and 81% says that to live within one's means is the most important advice that parents could pass on to their children, up from 69% a year ago.

All of these responses underscore the need for guidance and education. "There has not been a moment in history when more people need to be coached, guided and educated about how to create a long-term plan," Dychtwald says. "What you've got is a population of people who have been spooked. They don't know who to trust, who's lying or what people's intentions are."

The study, Retirement at the Tipping Point: The Year that Changed Everything, gathered opinions from more than 2,000 Americans from four generations. Nearly 60% lost money in mutual funds, 401(k) plans or the stock market. Respondents believe that it will take about seven years, on average, to recover losses. Among respondents 55 and older, 46% say that medical expenses not covered by insurance is a top financial worry for their retirement phase. Four out of 10 respondents say they believe they will have to help support their parents, in-laws or siblings eventually. In light of their financial situations, respondents believe they might need to postpone retirement by 4.2 years, on average.

Clients might find that they have other reasons for optimism, especially when it comes to the timeline for earning back financial losses. Financial markets typically recover quickly from recessions, so the U.S. would have to be in a prolonged recession for recovery to take as long as seven years, says Russell Diachok, president and CEO of Centennial, Colo.-based broker-dealer Geneos Wealth Management. "Personally, I think it would be a shorter recovery time, more like three to five years," Diachok says. Of course, he acknowledges, "that is a significant amount of time if you were planning to retire in two years."

Some Americans expressed optimistic attitudes about retirement, and even saw working during their retirement years in a positive way. Sixty percent say they view retirement as "a new, exciting chapter in life," an increase from the 52% who felt that way last year. Seventy percent say that working in retirement is a way to remain stimulated and pay bills.

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