Early Retirement Is Just a Pipe Dream for Most

By **Chris Metinko** 03/05/16 - 07:31 AM EST

Sue diRosario does not see a way she'll retire. At this point, she's just looking forward to a time she doesn't have to work a full work week.
"I do look forward to the day I may be able to work three days a week," said the 60-year-old Maine resident. "I do not see a way to pay off the mountains of medical debt and loans I have had to secure to chip away at some of this debt."

But diRosario is just one of many who feel lost when it comes to retirement, according to a new survey by HSBC. The study shows while 65% of pre-retirees 45 years old and older would like to retire within the next five years, about 38% say they are unable to do so. Additionally, 18% believe they will never be able to fully retire fully — almost double the percentage from last year that said they expected never to be able to afford to fully retire.

"Retiring at 60 is a pipe dream for virtually all Americans, except for the relatively few who are independently wealthy or will receive significant pension payments," said Len Hayduchok, president of Dedicated Senior Advisors in New Jersey.

"As fewer Americans are retiring with pensions and as more pensions that are still in place are become increasingly underfunded, early retirement or retirement even at the traditional 65-year benchmark will become increasingly more elusive," Hayduchok added.

He said Americans need to be prepared for just the opposite of retiring earlier and instead think of retiring five years later. Americans retiring in their 70s, and in another generation 75, will very possibly be the new 65, Hayduchok said. For those that value retirement, they need to drastically cut back expenditures and save at least 20% of their paycheck, and remember the best strategy is always a combination of guaranteed income — such as Social Security, pensions and income — and growth strategies — such as stock investments with a time horizon ten years longer, he added.

Kevin Reardon, a planner at Shakespeare Wealth Management in Wisconsin, said retiring before 60 is possible, but one needs to be disciplined.

“If you’re committed to retiring at 60, it is easier to reduce consumption now in exchange for more leisure later in life,” Reardon said. “If you can’t acknowledge that reality and are unwilling to make sacrifices now, then an early retirement goal is unrealistic.”

Reardon said for clients younger than age 50, it’s recommend a savings rate of 20% and for those between 50 and 60 years of age, a savings rate usually should be about 15%. “A higher savings rate has two benefits,” Reardon added. “The obvious benefit is you’ll have more assets later in life to spend and live on. The hidden benefit is that you’ll be accustomed to a reduced lifestyle during your working years so when you retire you have a lesser need.”

Reardon said while everyone is different as far as where they should put their money, most people need to strive for strong investment returns to make an early retirement possible. He said in that instance, one needs a portfolio that tilts heavily towards equity.

“Use disciplines such as dollar cost averaging and account rebalancing to moderate risk,” he said. “Be sure to downshift your risk three years prior to retirement and three years into retirement as this is the period in life you can least afford to suffer a large loss.”

One thing not to do is try to make up for too much lost time too quickly, said Scott Stratton, president of Good Life Wealth Management in Dallas.

“For investors who are under saved, they often hope that their investment selection will help them retire earlier,” Stratton said. “Some think that if they are more aggressive — invest in last year's hottest fund, day trade, or take an options class — that this will be their ticket to growing their portfolio quickly.”

Stratton said this usually brings disastrous results.

“Instead, stick with a diversified asset allocation using high quality ETFs or mutual funds, “he said. “The investment horizon you need to consider is not five years to retirement, but the 30 or 40 years that you need this money to last.”

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