

## Client Alert

# Retirement Savings Crisis in the United States

The retirement savings gap in the United States is nothing new – for at least the last decade experts have warned that savings rates are down. Exacerbating the issue is the pandemic of 2020. Saving at the top of the income ladder have increased as the stock market has risen over the past 12 months, but the vast majority of Americans faced either a loss of income, smaller saving rates, early access to retirement funds, or some combination of the three. In response to the pandemic and the relief bills of 2020, retirement readiness studies have been refreshed over the last few months with quite dire results as evidenced by the following statistics:

- 25% of Americans have no retirement savings<sup>1</sup>
- Only 21% of workers age 60 and older are retirement-ready<sup>2</sup>
- More than half of all Americans are at risk of not having enough money saved for retirement<sup>3</sup>
- Only 13% of Americans making \$250,000+ were retirement ready in 2020<sup>2</sup>

### The Solution

Planning and saving for retirement can be a daunting task as it is difficult to predict the long-term impact of numerous variables that go into properly preparing. Lifespan, lifestyle goals, income replacement percentage, investment performance, government limits on contributions, etc. all impact an employee's decision about how much to save. As a plan sponsor, educating employees on the various retirement plan offerings plays a critical role in solving the American retirement crisis. As income rises, the income replacement needed to maintain a similar lifestyle in retirement becomes increasingly difficult to obtain due to qualified plan contribution limits. Non-qualified deferred compensation plans do not have IRS qualified plan limits and provide high income earners the ability to help supplement their retirement savings.

<sup>1</sup>PWC Retirement in America Report

<sup>2</sup>John Hancock: State of the Participant

<sup>3</sup>Center For Retirement Research at Boston College

**For more information regarding education around non-qualified retirement plans, please contact your Mullin Barents Sanford Associate.**

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