



Out of Cash: Will You Have the Savings to Retire?

Experts Worry That Americans' Investment Habits Won't Match Financial Needs

By BETSY STARK

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Here's an ugly fact: The national savings rate has gone negative for the first time since the Great Depression. Not only are Americans not saving any of the money they earn, they're spending more than they earn, driving themselves deeper into debt.

The savings rate has been steadily declining for a generation now. Twenty five years ago Americans saved an average of 10 percent of what they earned. Last year they spent \$42 billion more than they earned.

Cindy Taylor knows she should be saving. The Humboldt, Tenn., woman said not a day goes by that she doesn't worry about money.

"I continue to worry about it, because I want to get out of this cycle. I want to get out of debt," Taylor told ABC News.

At 44, Taylor has a good job and a nice house, but she also has three grown children and a grandchild living with her while she carries a mortgage, \$15,000 in credit card debt, and shows no savings.

"I know that if I don't do something drastically to change now with my finances, you know what's going to happen when I approach retiring? I won't be retiring," she said.

Retirement Crisis

The Center for Retirement Research estimates — conservatively — that 43 percent of American households won't have enough money to maintain their standard of living in retirement.

For low-income Americans, that means not being able to cover the cost of such basic necessities as food and shelter. Some will fall into poverty.

"For middle-income people, it means they really will notice a decline in how well they are living," said Alicia Munnell, executive director of the Center for Retirement Research. "They will have to pinch pennies and really be worried once they stop working."

And that's if they are even able to stop working. Experts said it's hard to imagine how baby boomers will be able to stop working at the current retirement age of 62 for women, and 63 for men when so few have the financial resources to pay for a long retirement.

Just 20 percent of Americans are still eligible for company pensions; 25 percent have never enrolled in their employers' 401k retirement plans; and 45 percent cash out their 401ks whenever they change jobs, despite big tax penalties.

"There's a real irony here that people are saving less and living longer, and that's a real problem," said Robert Bixby, the executive director of the Concord Coalition.

If it becomes the government's problem, Bixby said Americans can expect either higher taxes or deep cuts in Social Security and Medicare benefits.

"We're on a very reckless course," he added.

"I think often about ... I need to save, I need to pay down my debt, I need to invest," Taylor said. "But I really don't even begin to understand how to do that."

Many Americans lack not only the cash but the knowledge about how to save intelligently for their futures. That's why a growing number of retirement analysts say the key to improving the savings rate is to take it out of the hands of workers: Make enrollment in 401ks automatic and make contributions from their paychecks automatic, too.

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