

GenX's Retirement Reality:

Conquering the Fear of Financial Shortfall



WELCOME TO

GenX's Retirement Reality: Conquering the Fear of Financial Shortfall.

This eBook, provided by Sapiat Asset Management, is a comprehensive guide designed to address a pressing issue—have GenXers saved enough for their retirement? As members of GenX approach their retirement years, it's essential to take a hard, honest look at the realities that lay ahead.

If you were born between 1967 and 1982, your generation has always been known for its adaptability and resilience. You've navigated economic downturns, the digital revolution, and significant shifts in social values. As you approach the retirement phase of your life, you may face a unique set of challenges that previous generations might not have encountered to the same degree.

One of the bigger challenges is the reality gap—the difference between what GenXers expect during their retirement years and their realities. Many GenXers have high hopes for their golden years, picturing leisurely days filled with travel, family time, and pursuing their pent-up passions. However, the reality might be starkly different due to increased life expectancy, rising healthcare costs, and the potential insufficiency of social security and pension payments.

GenXers should be concerned about their financial security late in life. This unaddressed fear can lead to stress and anxiety, impacting the overall quality of their retirement years.

This eBook will delve into the gap between expectations and the realities of retirement and examine concerns about financial shortfalls.

Our goal is to empower you with knowledge, strategies, and tools to confidently plan for your future and overcome the fear of financial shortfalls late in life. With Sapiat Asset Management by your side, you're not alone in a financial journey.

To your financial well-being,



Steven L. Dick, CFP®, ChFC®



CHAPTER 1:

It's Never Too Early or Late to Start Saving/Planning for Retirement

The power of compound interest, often referred to as the 'eighth wonder of the world', is one of the critical factors that should motivate anyone to start saving for retirement as early as possible. For GenXers, compound interest can be a lifeline, especially during economic uncertainties and fluctuating securities markets.

By starting early, even modest monthly contributions can grow into a substantial nest egg over time. The sooner you start, the longer your savings have to benefit from this exponential growth. The importance of starting early should not discourage those who haven't yet begun; it's never too late to initiate the journey toward a secure retirement.

If you're a late starter, don't despair; there are strategies you can employ to catch up on retirement savings! While you may need to save more aggressively and potentially make some lifestyle changes, building a comfortable retirement nest egg is still possible.

Tactics such as maximizing your employer's 401(k) match, taking advantage of catch-up contributions if you're over 50, and potentially delaying retirement, full or part-time, to give your savings more time to grow are ways you can boost your savings efforts if you started late (we'll discuss these in more details in another chapter).



How Sapiat Can Help:

Let us help you create a comprehensive retirement plan. This involves defining your retirement goals, discussing your lifestyle, estimating your future expenses, and understanding the role of different investment vehicles. The key is to be strategic, patient, and persistent, recognizing that it's a marathon, not a sprint, toward the finish line of financial security in later retirement years.

CHAPTER 2:

Fear of Not Having Enough Saved to Retire at 65

The fear of running out of money or not having enough savings to retire at 65 is not uncommon. Unfortunately, it is a genuine concern for millions of GenXers. This fear can be rooted in the uncertainty of future expenses, potential healthcare costs, economic conditions, and rising lifespans, including 30 years of retirement.

Because retirement planning is not a one-size-fits-all model, you should understand how much money you will need in retirement. The typical rule of thumb is to have 70-80% of your pre-retirement income. Of course, this figure can fluctuate depending on your expected lifestyle, health status, and the unexpected. Having a well-thought-out retirement plan can help alleviate these concerns.

Several practical strategies and tips can be employed to overcome the fear of running out of money late in life, such as:

- Start your retirement savings efforts at a younger age
- Diversifying your investments, so you are not over or under-exposed to specific asset classes that could seriously impact the value of your portfolio
- Consider long-term care insurance, especially if you have any underlying health conditions or genetics that could impact you later in life
- Regularly review and adjust your retirement plan as your circumstances change.

This chapter will delve into these strategies and provide actionable advice to help ensure a comfortable retirement.



How Sapiat Can Help:

We specialize in helping GenXers develop robust retirement income strategies. Through our proactive approach, we will work with you to anticipate potential issues, mitigate risks, and maximize your retirement savings.



CHAPTER 3:

Maximizing Retirement Savings

Maximizing retirement savings begins with optimizing tax-advantaged accounts like a 401(k), an Individual Retirement Account (IRA), or a Roth IRA.

A 401(k) offers a great starting point for most employees. For 2023, employees are allowed to contribute a maximum of \$22,500, an increase from the \$20,500 limit set in 2022. This cap encompasses all voluntary salary deferrals by the employee and any post-tax contributions made to a Roth account, be it within a 401(k) plan or a standalone Roth 401(k) account.

If you are aged 50 and older, you are also eligible to make 'catch-up' contributions to your 401k or other retirement accounts. **The amount of the 'catch-up' allowed depends on the type of retirement account and can be as much as \$7,500.**

For IRA and Roth IRA account holders, in 2023, individuals under 50 can contribute up to \$6,500 to their IRA, while those 50 years old or older have a limit of \$7,500.

Consider other financial products such as Health Savings Accounts (HSAs), which offer triple tax advantages for qualified medical expenses, or real estate investments, which can provide a steady income stream during retirement.



How Sapiat Can Help:

We provide a retirement plan assessment service where we will assess your current contributions so you have a better idea of where you can add to your current savings efforts. We will also evaluate the allocation of funds to ensure that you are not over (or under) exposed to any particular asset class.

Debt

CHAPTER 4:

The Impact of Debt on Your Retirement Plans

Debt can significantly impact your retirement plans because it can reduce the amount of income you have available for saving and investing. If you're allocating a large portion of your income to pay off existing debts, you'll have less to contribute towards your retirement nest egg. Moreover, the interest associated with debt can grow faster than investment returns, creating a financial money pit.

Significant debt can cause stress and anxiety, affecting your mental health and ability to make sound financial decisions.

There are several effective strategies for reducing and eventually eliminating debt. Firstly, it is crucial to prioritize your debts, paying off those with the highest interest rates first, a strategy known as the 'avalanche' method.

Alternatively, you might prefer the 'snowball' method, which involves first paying off the smallest debts to gain momentum. Creating a realistic budget is also essential to track income and expenses, helping identify areas where you could potentially cut back.

Increase your income through side jobs or selling unused items. This additional income can be channeled directly toward debt repayment.



How Sapiat Can Help:

Remember, consistency and discipline are the key to eliminating debt. Our financial professionals will work closely with you to understand your financial situation, guide you through different debt reduction strategies, and help you build a feasible and effective plan. We focus on helping you improve your financial health and secure your future. *Italicized paragraph for format uniformity.*



CHAPTER 5:

Savvy Investment Strategies

There are many ways to invest in the financial markets. The four most common vehicles for investing are stocks, bonds, mutual funds, and exchange-traded funds (ETFs)

- Stocks represent ownership in a company and give you a claim on the part of the company's earnings or assets
- On the other hand, bonds are essentially loans made by investors to issuers like corporations or governments, offering a fixed rate of return and the promise of the principal back at maturity.
- Mutual funds are investment vehicles that pool money from many investors to invest in a diversified portfolio of stocks, bonds, or other assets.
- ETFs are similar to mutual funds but are traded on exchanges like individual stocks, offering greater liquidity and flexibility

One of the keys to your long-term success can be defined with one word: diversification. This includes spreading investments across various types of assets or asset classes to reduce over (or under) exposure and risk.

Investing in a mix of stocks, bonds, mutual funds, and ETFs can balance investment returns because different assets can perform differently under various market conditions. Having a diversified portfolio can help mitigate the risk of any single investment performing poorly and impacting a substantial part of your assets.

A well-diversified portfolio should align with your financial goals and investment horizon, enhancing your chances of long-term financial success.

Managing risk in your retirement investments involves balancing the principal's growth and the principal's safety. It's about building a portfolio that can grow enough to outpace inflation and expenses while meeting your future financial needs for retirement assets and income.

It involves continually reassessing and adjusting your investment mix based on changes in your financial circumstances, market conditions, and evolving needs as you get closer to retirement. The right combination of stocks, bonds, and other investments can help you achieve this balance.



How Sapiat Can Help:

Sapiat Asset Management is uniquely positioned to guide you in building a comprehensive investment strategy for your retirement. We leverage our various asset strategies and risk management expertise to create a tailored portfolio that reflects your financial goals, and investment horizon. By employing strategic diversification, regular rebalancing, and a keen focus on risk management, we can help you maximize your investment growth while safeguarding your hard-earned capital.



CHAPTER 6:

Investing in Blockchain and Other Future Technologies

Investing in blockchain and other technologies offers many potential benefits. Blockchain technology is arguably one of the most transformative technologies of the current era, potentially revolutionizing many sectors, including finance, healthcare, supply chain, and more.

Besides blockchain, future technologies such as artificial intelligence (AI), quantum computing, and virtual reality (VR) are also reshaping the landscape of tomorrow, providing considerable investment opportunities. With their ability to disrupt traditional models and create novel solutions, these technologies are expected to produce significant economic growth in the coming years.

However, investing in blockchain and other future technologies is not without risk. These technologies are still in their developmental phases and, as such, their practical value and scalability are yet to be fully realized. Regulatory hurdles, technological limitations, and market acceptance are challenges these emerging technologies face.

In addition, market volatility, particularly in the case of blockchain and cryptocurrency investments, is another factor that investors need to consider. While the potential for high returns is substantial, you must approach these opportunities with a well-informed perspective, understand each technology's unique risks, and create a balanced and diversified investment portfolio.



How Sapiat Can Help:

We have deep expertise in blockchain and other emerging technologies, so we are well-positioned to assist in navigating this new and dynamic field. We provide comprehensive digital asset consulting services, helping our clients understand the intricate dynamics of this technology and its potential impacts.



CHAPTER 7:

Staying Financially Fit in Retirement

Staying financially fit in retirement requires careful planning and disciplined management of your resources. This involves practicing discipline and smart spending to stretch your retirement dollars.

Creating a budget that accounts for essential and discretionary expenses is essential, prioritizing needs over wants. Leveraging deals, discounts, and cost-effective alternatives can make a significant difference in the long run.

Additionally, generating income in retirement can provide a substantial financial cushion. This can be achieved through part-time work, side gigs, or passive income streams, such as investments or rental properties, which can supplement your pension or social security benefits.

Lastly, estate planning is crucial in protecting your assets for future generations. This includes creating a will or trust, minimizing estate taxes, and setting up power of attorney, among others, to ensure your wealth is transferred according to your wishes.



How Sapiat Can Help:

Sapiat Asset Management is dedicated to helping you stay financially fit in retirement through regular financial check-ups. Our team will regularly review your financial situation, providing personalized advice to maximize your retirement income and preserve your wealth. Our deep understanding of market trends and investment opportunities ensures your financial health is maintained in your golden years, freeing you to enjoy retirement without financial worry for the rest of your life.



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