

**Headline:**

When Can I Retire? Meet the Typical Retirement Outlook

**Objective:**

Focus on the phrase "When can I retire?"

**Body Copy:**

“When can I retire?”

55... 65... 75?

If you don't know the answer, you're not alone. In fact, according to the 22nd annual [Retirement Confidence Survey](#), (RCS) **56% of American workers have never calculated how much they'll need for retirement.**

But wouldn't it be nice to know the exact age you can retire? To know just how big your nest egg needs to be so you can enjoy a comfortable retirement?

In this article you'll learn how to answer those questions. Plus, you'll find out how much the average American worker has saved for retirement and what the new “normal” expected retirement age is.

### **The Average American Nest Egg**

According to the [RCS](#), a full **60% of workers report that the total value of their household's savings and investments, excluding the value of their primary home and any defined benefit plans, is less than \$25,000.**

So as you can see the average nest egg looks more like a pebble. Yikes!

But at least we have Social Security... right?

Well not if you want a “comfortable” retirement. The [average annual Social Security payout](#) is only \$14,000 (By the way, the [2012 poverty level](#) income is \$11,170). So even with Social Security, around **49% of middle-class workers will be living on a food budget of roughly \$5 a day.** I don't know about you but that's not exactly my idea of a “comfortable” retirement.



To further complicate matters, [Social Security is expected to be broke by 2036](#)... just 24 years from now. This is why I suggest taking control of your own retirement instead of hoping the Government miraculously solves its [\\$16 trillion debt](#) issue before you retire.

### Most Americans Plan to Retire at 67

Up until recently most American workers expected to retire at age 65. Not anymore. According to a recent [Gallup](#) poll of 1,016 adults, the average expected retirement age is now 67, up from 66 in 2011 and age 60 in 1995.

And the expected retirement age isn't the only thing increasing these days. People are also living longer, further compounding the difficult task of saving enough for retirement. According to the [U.S. Census Bureau](#), the average person now lives about eight years longer than the average person did in 1970. **Today, the average man lives to be 76, and the average woman lives to be 81.**

If you were planning to retire in the 1960s or 1970s, your nest egg only had to last about 10 years. **Now, your retirement needs to stretch about 20 years.** This is one of the main reasons people are working longer.

### The Shift from Pensions to 401(k)s

Once upon a time, workers stayed with a business for over 30 years, and retired with a pension and the proverbial, "gold watch." If you were loyal to the company, the company was loyal to you in retirement.

Fast forward to 2012 where the average time spent at one job is just [4.4 years](#). And a pension?

"What's that? Is that something you go to a chiropractor for?" says the modern day worker.

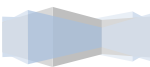
"No that's tension."

Most workers today have only heard their parents and grandparents talk about pensions. That's because in the 1980s 401(k)s came into being. Since that time, most employers have shifted from defined benefit pension plans to 401(k)s.

And if you're wondering what the main difference is between a pension and a 401(k) then remember this:

**A Pension Means:** Your employer takes care of your retirement.

**A 401(k) Means:** You need to plan for your own retirement.



The key phrase above is, *you need to plan*. And in order to do that you'll need to take a careful look at how much you're investing in your 401(k) and other investment vehicles to see if it's enough for retirement. For a good overview on 401(k)s read, a previous piece we published here: [401\(k\) Karate: How to Prepare for Retirement Like a Ninja](#).

Even though most pension plans have gone the way of the dinosaur, the good news is [40.6% of American families](#) still have some form of an employee retirement plan, like a 401(k). And even better news is that most people are contributing to them when they're offered. According to [Fidelity Investments](#), the average employee contribution in the second quarter of 2012 was \$1,660, up \$30 from first quarter of 2011. And employers are helping more. The average employer contributed \$950 in the second quarter of this year, also up \$30.

### So When Can I Retire?

I know, I know... you want to know when you can retire. Well that's actually pretty easy to answer...

**Answer: You can retire as soon as you have enough money.**

*"But how much is enough?"*

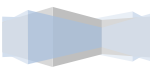
Ah, you learn well, grasshopper.

There's a short answer and a long answer to that question. Here they are:

**Short answer:** Simply use the [4% rule](#). To do this just plug in the numbers into this equation: (estimated annual retirement expenses) X 100 ÷ 4 = (How big your nest egg needs to be)

Let's say you want to live off of \$80,000 a year. You would multiply that by 100 then divide it by 4 bringing your nest egg to \$2 million. But since this is just a "rule of thumb" you may also want to read the long answer.

**Long answer:** You must take into consideration other variables such as inflation, the type of retirement account(s) you'll be withdrawing from (tax-deferred, taxable, or tax-free), and other sources of income like Social Security (for that \$5/day food budget). To help you answer these questions we've provided some retirement calculators below.



## The Best Retirement Calculators

[Dave Ramsey](#): This is more of an investment calculator than a retirement calculator. But it will help you determine how long it will take you to grow your nest egg to a certain amount. To find out how much your investment will be worth, enter your starting balance, annual rate of return, monthly contributions and the number of years you plan to contribute.

[Scotttrade](#): This retirement calculator helps you determine how much you can save for your retirement and the likelihood of how long your retirement savings will last based on what you currently have saved and how much you plan to contribute each year. By changing the various inputs you can gauge the length of time that your assets may last during retirement.

[FIRECalc 3.0](#): This tool is pretty unique. It shows you the results of every starting point, since 1871. You can get a sense of just how safe or risky your retirement plan is, based on how it would have withstood every market condition we have ever faced.

What Does Dave Say?

Hopefully you have a better idea of when you can retire. But knowing is not the same as action. The type of retirement lifestyle you'll have ultimately hinges on what you do today and in the coming years.

Personal finance guru [Dave Ramsey](#) recommends investing **15% of your income**. He advises to first max out your employer match and then max out your Roth IRA contribution (\$5,000 annual max). And if you're still not at 15% then increase your 401(k) contributions until you get there.

So as you can see, your retirement is your responsibility. Don't rely on the Government or a company to take care of you in your old age. Plan now and avoid the \$5 a day food budget.

*What are your questions about retirement? When do you plan to retire?*

