

SCARBOROUGH

CAPITAL MANAGEMENT

PROFESSIONALS SUGGEST THAT MILLENNIALS PUT AT LEAST 15% TOWARD 401(K), WHILE SURVEY REVEALS 4 OUT OF 5 DO NOT.

Scarborough Capital Management's recent survey found only 22.5% of individuals aged 18 to 34 put 15% or more of their paycheck into their 401(k), despite calls from professionals who say at least 15%¹ is needed for retirement savings.

While most Millennials may not be reaching this goal just yet, the study offered some positive news. It revealed 72.8% of this age group are investing anywhere from 1 to 10% of their paycheck into a 401(k).

According to Gregory Ostrowski, CFP®, CRPC®, a financial planner with Scarborough Capital Management, this generation is forming good habits in saving for retirement. "Understanding the need to save, the ability to obtain 'free money' from an employer match — if available — and the overall concept of slicing off some of the budget for the future is a wonderful start," he said.

But Ostrowski cautions that Millennials need to put away more than what they currently are for retirement.

"In reality, we need to see savings rates toward 15% to have the type of long-term outcomes most are looking for," he said. "A 15% deferral rate over the course of a career puts a saver in a better position to have a similar lifestyle in retirement as they had during their working career." The Scarborough survey did show that 58.5% of Millennials are able to save between 5 and 10%, which is at least a step in the right direction.

But while it's easy to set a goal, it's much more challenging to make sure it's being achieved, especially given the circumstances Millennials have faced in recent years. Ostrowski agrees, stating, "So many recent grads have faced the perfect storm: they're saddled with student loan debt, many have faced a brutally competitive job market, and those with jobs have seen little to no wage growth. It's tough to carve off savings when everything's already accounted for."

But not all is lost, and Ostrowski believes that just because you may not be there yet doesn't mean you shouldn't begin. "Start small. At the very least, if your employer has a 401(k) match, do everything in your power to get it. If you can save 5 or 6% and you're getting another 5 or 6% from them on top of that, then you have doubled your savings rate," the Annapolis-based CERTIFIED FINANCIAL PLANNER™ professional said.

If a match isn't possible for you through your employer, Ostrowski still believes it's a good idea to save something. "Even if your employer doesn't give a match, recognize the need to save and make it a point to work in increments over time. For instance, start at 4% and set a note on the calendar to increase by 1% every 6 months. I've advised hundreds of young savers over the years on this technique and it's a great way to

incrementally make moves in the right direction, and in a way that your cash flow is not crimped all at once,” he said.

Even during times of financial uncertainty and stagnant wage growth, it still remains a good idea to figure out a way to invest in retirement on a consistent and progressive basis.

The full results of the survey can be found at <http://scmadvice.com/401k-pulse-report/>.

Methodology

Research Now conducted a nationally representative digital survey on behalf of Scarborough Capital Management. The survey was conducted from February 10, 2016, through February 17, 2016, and consisted of 1,004 Americans throughout the United States older than 18 with 401(k)s. The margin of error is +/- 3% for the national sample.

About Scarborough Capital Management

For over two decades, Scarborough Capital Management has provided comprehensive wealth management services to busy individuals and families who don't have the time to develop and manage a portfolio. What sets the company apart is its inherent interest in helping everyone from mid-level employees to top-tier executives prepare for retirement. Scarborough Capital Management's services include a comprehensive array of financial planning support for people in all stages of life, including 401(k) and 403(b) Management, Thrift Savings Plan (TSP) Management, Wealth Management, Personal Pension Analysis, Social Security Analysis and Financial Planning. Advisory services are offered through Scarborough Capital Management (SCM), a Registered Investment Advisor. For more information about Scarborough Capital Management, visit <https://scmadvice.com>.

¹<https://www3.troweprice.com/usis/personal-investing/planning-and-research/t-rowe-price-insights/retirement-and-planning/retirement-savings/the-power-of-15-.html>