

# SCARBOROUGH

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## CAPITAL MANAGEMENT

### WILL YOUR 401(K) FUND YOUR RETIREMENT?

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Most Americans have little confidence that their 401(k) will fund the majority of their retirement.

Scarborough Capital Management's recent survey found that currently, 20.9% of Americans expect their 401(k)s will fund about half of their retirement, while 23.7% expect their 401(k)s to fund only about 10% of their retirement.

According to Joshua Goldsmith, CFP®, CRPC®, a financial planner with Scarborough Capital Management, investors don't start out with a feeling of pessimism, but it can certainly be developed. He says, "Most people feel like they know what they need to do. However, they start to see how much work is needed."

The entire process, notes Goldsmith, can be a bit too much to handle, and that's what can lead to a bleak outlook. "Investors look at their 401(k) and its options, as well as at the market and assess their aversion to risk. They try to establish an overall retirement plan and they realize how complicated it is and they tend to just shut down and/or do the minimum. This in turn leads to pessimism because the average investor hasn't done or isn't doing what is necessary to manage their 401(k) and their overall retirement plan," explains Goldsmith.

If it appears that someone isn't going to have enough to retire as they'd like to, Goldsmith first focuses on helping them save. He notes, "The good news is that most can always save more...After that, you look at factors such as working longer, their overall allocation, and evaluating what they will truly need versus want in retirement."

A piece of good news is there are several other ways to establish income for retirement. According to Jon Szostek, CFP®, CRPC®, a financial planner with Scarborough Capital Management, retirement funds can come from a variety of sources, not just a 401(k).

"Other retirement accounts used by employers may include 403(b)s for teachers or hospital workers, 457(b)s for government and certain non-government employees, and also SEP IRAs or Simple IRAs which may be used by self-employed individuals or partnerships. Many people also choose to open their own Traditional IRA or Roth IRA to get even more tax-advantaged savings outside of their employer's plan, or even a brokerage account to invest on an after-tax basis," says Szostek.

There are other ways too, Szostek says, that retirees can have a solid income stream. He says, "There will also be different sources of retirement income, with the most prevalent being Social Security. Company defined-benefit pension plans, rental income, business sale installment payments, part-time or consulting work, or even a home equity reverse-mortgage can all provide income to a retiree."

On the more fortunate side, Szostek notes, “There could be some form of inheritance from a family member in the form of investments and/or property. There might also be certain financial windfalls received in retirement such as receiving a lump-sum pension buyout from an employer, selling a business, or even downsizing a home and receiving a substantial amount of equity.”

Lastly, Szostek says there’s really nothing magical about saving for retirement. He says, “The overwhelming majority of the time successful retirees saved enough because they started saving early and saved as much as they could.”

What’s interesting is that Szostek dismisses that you have to be continuously picking the right stocks or be in trendy investments. “The biggest factor in your ability to retire and how much you will retire with is how much money you have saved, not what your returns have been. The earlier you start saving and the more you save, the less stress there is on your returns. That usually lowers your overall stress with market fluctuations,” explains Szostek.

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>.