For a viable retirement, "Age 70 is the new 65"

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A couple decades ago, "retirement" referred to the final few years of life. It didn't take a tremendous amount of thought or personal responsibility to have a financially viable retirement. ***Defined benefit*** retirement plans were the norm and all you needed to do was put in your years of service to be entitled to pension income for the rest of your life. Importantly, you weren't required to fund your retirement account nor determine how it was invested.

Even if you spent every penny you earned (i.e. saved nothing for retirement), your combined pension and Social Security income made retirement a virtually financially "foolproof" proposition.

Today, those approaching retirement may live to 90 and spend one-third of their adult lives in retirement. Traditional defined benefit retirement plans have all but vanished, replaced by ***defined contribution*** plans like 401(k) s and IRAs. The results under this "do it yourself" retirement system with investment-based, worker savings-funded accounts have been disastrous.

According to "The State of American Retirement—How 401(k) s have failed most American workers http://www.epi.org/publication/retirement-in-america/" by the Economic Policy Institute, the median working-age American family (age 32-61) has a paltry $5,000 saved in retirement accounts (nearly half of families had $0). Even those fast approaching retirement (age 56-61) had only $17,000 saved.

You can't change the past, but if you're like most and your retirement account isn't what it should be, there is still hope of a financially viable retirement if you ***1) work longer AND 2) delay claiming Social Security, ideally until age 70.***

That's the conclusion of an article in *The Wall Street Journal*, "Save More or Work Longer? It's No Contest," discussing a study conducted by the National Bureau of Economic Research (NBER), "The Power of Working Longer." https://siepr.stanford.edu/system/files/John%20Shoven%20-%20The%20Power%20of%20Working%20Longer.pdf

The authors explored the financial tradeoff between working longer and saving more, with eye-opening results. They found working a little longer and delaying claiming Social Security has the same impact on retirement standard of living as saving more over many years. In fact, for a 46-year old worker contemplating whether to save an additional 10% of her salary for 20 years or postpone retirement, ***working just an additional 29 months past the current "full retirement" age of 66 would have the same impact as saving the additional 10% for 20 years***.

The primary reasons for this outcome are 1) Social Security makes up about 80% of most workers' retirement income and 2) Social Security benefits are adjusted on a monthly basis, increasing each month the claim is delayed. Each year you delay claiming Social Security (until age 70) ***increases your benefit by a generous 8%***, a rate conceived when interest rates were higher and life expectancies shorter.

For a 62-year old, postponing retirement and claiming Social Security four years to 66 increases retirement income by 33%. ***Waiting an additional four years to 70 boosts retirement income by a whopping 75%!***

Working longer and delaying claiming Social Security leads to higher Social Security benefits and enables you to keep contributing to your retirement savings accounts, which are also allowed to continue growing undisturbed.

Younger workers, start saving/investing as much and as soon as you can for retirement. Because of compounding, ***time in the market is much more important than timing the market***.
