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Saving for retirement can be bumpy ride for young

By DAVE CARPENTER

Thoughts of retirement help motivate Shaun Christopher during long weeks spent clambering up and down power poles and working on high-voltage lines out of a cherry picker. It's not that the 26-year-old dislikes his job as a power company lineman in San Jose, Calif., or fantasizes about a life of leisure. He's just trying to build up his 401(k) for use decades from now by volunteering for as much overtime as possible.

"I like seeing my money grow," said Christopher, who has about \$50,000 socked away for retirement after five years with Pacific Gas and Electric Co. "And there's always a time when you're going to need it."

Saving for retirement is more challenging for young adults in this ailing economy. Like Christopher, they know more of the burden of saving is on their shoulders as company pensions fade away and questions persist about Social Security's long-term role. But trying to set aside extra money in one's 20s or early 30s can seem especially daunting in a recession. Big college debts, small salaries and a weak job market all make it easy to say retirement savings can wait.

That's what many young adults are doing. A March survey found that 34 percent of respondents in their 20s, and 39 percent of those in their 30s, said the worsened economic conditions have caused them to decrease contributions to their retirement accounts. The nationwide telephone survey of 3,000 adults was conducted by Rasmussen Reports for Country Financial, an insurer based in Bloomington, Ill., and had a margin of error of 2 percentage points.

The percentage is actually less than that of their older counterparts who participated in the same poll. That's to be expected, because they should have a higher risk tolerance. But cutting back or stopping retirement savings now may put them in a bigger hole than preceding generations if they don't reverse it.

One problem is that easy credit and changing behavior have caused people to run up debt at a much earlier age than in the past. "We need to get into 20-somethings' heads that you can save money and get a luxury item, rather than buying it first and then paying for it," said Mackey McNeil of Covington, Ky., a member of the National CPA Financial Literacy Commission.

Once the matter of deficit spending is under control, planning for the distant future is the next critical step. Saving for retirement is generally recommended as a top priority at any age, regardless of income level.

"You must make it a priority to save at least 10 percent for retirement in addition to all of these other things," said Burk Rosenthal, a certified financial planner in Fort Worth. "Otherwise you'll always have some excuse not to. If you can't afford to put away 10 percent for retirement, then you're living beyond your means."

Saving when you're young can go far, thanks to the power of compounding. And waiting a few years can make it difficult to catch up to that pace. According to a 2008 study by Aon Corp., a 25-year-old earning \$30,000 who has not started saving for retirement will need to save at least 4.2 percent of his annual salary until 65 to have a chance of retiring with an appropriate amount of savings. If that worker were age 35 making \$60,000, the number jumps to 7.5 percent.

Christopher is already reaping the benefits of being a diligent saver. He bought a town house three years ago despite the strain on his finances. Now he puts in 15 to 20 hours of overtime a week to not only pay off his home but also keep contributing the maximum amount (\$16,500 in 2009) to his 401(k), making about \$150,000 a year. "I call it vacation when I work only 40 hours a week," he joked. "I don't mind working so many hours when I'm young."

His goal is to retire at age 56 when he can get maximum benefits from the company — but only if he feels he has enough savings. So far, despite seeing his account cut nearly in half by the stock market's dive, he feels he is on track.

Others his age can only aspire to such commitment to retirement savings in this economy. Emily Burton, 25, of Kansas City, Mo., finds it about all she can do just to put something aside for her wedding since she makes just \$22,000 as a cook at a supermarket deli. She lives with her fiancé, who works in computer tax support, and money is tight even with two paychecks and frugal living. "We toy with notions on how to save more, not just for our wedding but for the future as well," she said. "But with everything that's happening in the world, choices are horribly limited. Two jobs? Good luck finding another one."

Most young adults she knows are living week to week. Burton feels guilty she isn't getting ahead financially but doesn't feel it's realistic until her situation improves. "I could save for retirement," she said. "But in order to make that happen, severe sacrifices would have to be made."

Scott Willyerd, also 25, feels hamstrung for a different reason: a mountain of college debt. He and his wife, Katelyn, are putting "every available cent" into retirement savings, he said. But with nearly \$100,000 in student loans between them for undergraduate and graduate studies, there aren't a lot of cents available. They have a total of \$3,500 in retirement savings, in a Roth IRA and his employer's 401(k). "It's hard thinking about retirement at the age of 25," said Willyerd, a publicist. "We think that we have more time to save up money."

Financial advisers recommend that young adults, like older ones, pay off credit cards and then build up an emergency fund of three to six months' expenses. After that, retirement should be a primary focus.