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INVESTING

1 in 4 Americans now expect to delay retirement: Here's how many more years they fear they have to work

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In the wake of the pandemic, nearly a quarter of Americans say they plan to retire later than previously anticipated, according to a recent survey from Northwestern Mutual. Of those respondents, 39% said they planned to push things back by 3 to 5 years, and 35% said they'd delay exiting the workforce by a decade or more.

If you're not sure exactly when you plan to retire, or if you've recently suffered a hit to your finances, now might be a good time to assess whether you're on track to meet your goals, says Dan Hawley, a certified financial planner and chief investment advisor at Hawley Advisors Wealth Planning in Walnut Creek, California. "Many people don't have a choice exactly when they're going to retire, and when they do, they really don't want to outlive their money," he says. "Being old is bad, but being old and broke is terrible."

Here's why experts say planning to retire later is risky, and how you can adjust if you think you've fallen behind.

Many workers have 'little control over their planned retirement date'

Many Americans assume they can get things back on track by working longer, but that may be a rather optimistic assumption: Nearly half, 46%, of American retirees say they called it quits earlier than expected, according to a recent survey from the Employee Benefit Research Institute. That's rarely because they had more money than they expected and decided to take it easy.

"Most of my clients had little control over their planned retirement date," says Hawley, citing the fact that companies often offer buyouts to more senior employees. Health issues of your own or the need to care for a family member may end up leading you to retire early.

Even if you're still determined to work after a setback, finding a new gig may be harder than expected due to issues including age discrimination and changing job requirements. "A client got caught up in a phishing scam and decided to go back to work," he says. "But the game had changed in his lifelong profession. The business model was different, and his contacts had dried up."

Rather than assuming you'll be able to retire on your terms, plan for the possibility that you'll be shown the door early and then live for a long time, says Hawley. "You should likely be more aggressive in your investing and saving than you think you need to be," he says. "Most people live longer than they expect. I ask my female clients if they were healthy at age 50. If the answer is yes, guess what? You have a 50% chance of seeing your 90th birthday."

How to know where you stand on retirement readiness

If you're not sure whether you're on track to retire when you want to or not, experts suggest using an online calculator, such as the Grow retirement calculator, to give yourself a general idea.

"It's an easy way to check in," says James Regan, a financial advisor and partner at SharpePoint in Phoenix, Arizona. "Some are more complex than others, but you can give the calculator an idea of what you're generally thinking about, and get answer to the basic question of, 'How much money do I need to save to achieve a lifestyle of say, $80,000 a year? How much do I need to have in my nest egg?'"

Grow's version takes into account the age at which you expect to retire, your current income, the amount you already have in your retirement accounts, how confident you are about growth in your portfolio, and what percentage of your current income you anticipate needing in retirement, to determine how much you might want to sock away each month to reach your goals.

Some offerings from brokerages may go deeper than that, putting your current investments and savings rate through a "Monte Carlo" simulation, which runs your finances through thousands of different scenarios to determine the probability that you'll reach your goal at the current rate.

2 steps to consider if you're behind on savings

If you determine that you're not on track to reach your goals, experts say there a few things that you might do, or avoid doing, to catch up.

1. Boost your savings rate

"A lot of people are really truly saving the minimum amount in their 401(k) to get the match," says Regan. "A lot of pain could be avoided if people saved consistently every month and put more of that money towards their retirement portfolio."

For Regan, the natural place to park some extra cash, if you qualify, is a Roth IRA, which is funded with money you've already paid taxes on. The advantage of a Roth IRA over a traditional 401(k) plan shows up when you retire, provided that you're over 55½ and have held the account for five years: Investments grow tax-free inside your Roth, and you won't owe a dime to Uncle Sam when you pull the funds out in retirement.

"If your income level supports it, a Roth is a great retirement savings vehicle," he says. "It will give you tax diversification in retirement, plus you can withdraw your contributions at any point if something comes up."

Of course, no one can make money appear out of thin air, Hawley points out. Rather, upping your contributions may require you to tighten your belt and forgo some of the things you're tempted to spend on. "Spending less than you make is an important mindset," he says. "When I see a motor home with a trailer full of ATVs, I think, 'There goes their retirement.'"

2. Consider tweaking your asset mix (but don't overdo it)

Being more aggressive with your investments can mean contributing more, and more often. It can also mean upping your exposure to riskier assets, such as stocks. Though stocks can go down as well as up, and past performance doesn't guarantee future results, Hawley points out that they have an excellent long-term track record when it comes to growing wealth for investors and outpacing inflation: "If you're young and you're heavily invested in fixed income, you're leaving money on the table."

Upping your exposure to stocks could prime your portfolio for higher returns, especially if you're investing for the long term, says Regan. "You're going to have to stomach increased volatility that comes along with that," he says. "And bumping up your equity allocation doesn't mean you have to be super-aggressive. You can hold dividend stocks that tend to be more stable and don't fluctuate as much."

One strategy you'd be wise to avoid: exposing an outsize chunk of your portfolio to a speculative asset, such as a single stock or cryptocurrency. "I can't tell you if crypto is going to pay off in 40 to 60 years, but it's going to be highly volatile," he says. "Something like that can be a small sleeve of your portfolio, but you mostly want to stick to tried-and-true stuff."

"You ultimately want more money benefiting from compounding interest," he adds. "The best way to do that is to save more and get more money into the system."