Investors Must Face Reality Of Retirement

(NAPSA)—Retirement readiness was one of many topics recently discussed by a panel hosted by Boston-based asset manager Eaton Vance. The panel of behavioral finance, economic, tax and capital markets experts discussed a range of issues facing investors, including tax reform, social security, the national deficit, single stock concentration, capital markets performance, inflation, retirement readiness and other personal finance issues.

According to the sixth annual investor survey commissioned by Eaton Vance, more than four in five investors (84%) are optimistic that they will live comfortably in retirement. Over half of investors (55%) believe they will need $1 million dollars or more to retire, and the average investor says he will need about $1.9 million to retire. More than one-third of investors (35%) say they would like to retire by the time they are 60, half of investors hope to retire between the ages of 60 and 65, and only 16% of investors want to retire after age 65.

"Many investors believe that about two million is sufficient to retire comfortably. However, they have saved too little so far. For example, mutual fund investors have put aside about three and a half trillion dollars in retirement-savings designated accounts, about $70,000 per household on average. The median saved amount is only under $30,000. Most people have too little saved and yet they are very optimistic that they'll have great luck in retirement. Something has to give," asserted panelist Avi Nachmany, co-founder and research director of Strategic Insight, an asset management industry think-tank and data resource.

Jane Bryant Quinn, moderator of the discussion and noted personal finance columnist, brought up the difficulty in managing one's money in retirement. "Even the people who have amassed a sufficient amount of money for retirement have to manage this money to last the rest of their lives, 30 years or more. At what rate do they withdraw it? What investment success did they have? We haven't even begun to think about how you manage the withdrawal part and people are at risk of failing at that, too. This is a job far beyond the average person's ability to manage and somebody's going to have to manage it for them."

The survey found that 90% of investors participate in a 401(k) plan or IRA investment plan and 78% contribute the maximum amount. 39% of investors incorrectly hold municipal bond investments inside a qualified plan and 68% were unfamiliar with tax-managed investment options. Panel member Duncan W. Richardson, senior vice president and chief equity investment officer of Eaton Vance Management was dismayed by these findings. "What struck me in the survey is that lots of folks are still not taking advantage of current retirement plans and current savings methods. In addition, they aren't fully educated on investment products and where to place them to enhance their retirement savings under the current tax code," Richardson marveled.

The dialogue was based on the results and implications of Eaton Vance's sixth annual survey, a detailed study of attitudes and practices about investing. The poll was conducted among 1,000 U.S. residents who have invested in both qualified retirement plans and investments outside of qualified retirement plans. This study was conducted by Penn, Schoen & Berland Associates, Inc. for Eaton Vance Corp. during the third week of November 2004.

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Penn, Schoen & Berland Associates, Inc. is a Washington, D.C.-based full-service strategic polling and market research firm.

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