Your Financial Future

Are You Overly Optimistic About Retirement?

(NAPSA)—Most people don't appear to be as concerned about their personal finances and retirement as perhaps they should be, according to a national survey.

Despite a negligible personal savings rate, low 401(k) participation and declining Social Security expectations, 59 percent of those surveyed across the country say they have a plan and are saving enough money to meet retirement goals. Additionally, 80 percent of Americans are not losing sleep over their finances.

"There appears to be a contradiction in what people say and what they actually do," said Gordon Hecker, vice president and chief marketing officer for Nationwide Financial Services, which conducted the survey.

Some of the most common misperceptions include:

Misperception: Most Americans (59 percent) say they have a financial plan and are saving enough money to meet retirement goals.

Reality: The national personal savings rate was near record lows at 0.3 percent in November 2004, according to the U.S. Commerce Department.

Misperception: Many Americans (42 percent) believe they are smarter than the average investor.

Reality: The majority of Americans are not making the best decisions to maximize their investments. For example, Boston College's Center for Retirement Research reports that:

• More than half (55 percent) cash out their 401(k) plans when they change jobs, significantly reducing their potential retirement income.

• Most investors have not properly diversified their 401(k) plans, with about 30 percent of participants having 80 percent or more of their money in stocks. Another 30 percent have all of their money in money market or fixed-income funds.

• Most retiring workers take their 401(k) distribution as a lump sum. Without investing in an annuity, many retirees risk either running out of money before they die or restricting their standard of living.

Misperception: More than two-fifths (43 percent) are optimistic about the retirement outlook for their children, believing their children either will retire at a younger age or at the same age they plan to retire.

Reality: The number of adults age 60 or older in the labor force has increased in recent years, indicating that retirement age may begin to rise.

"While it may be easy to know what to do in theory to plan for the future, putting that knowledge into practice can be much more difficult," says Hecker. "This is why building a relationship with a trusted financial advisor is an important first step in putting together a plan."

5 Steps To Get A Financial Plan In Order:

1. Review your monthly needs and expenses.
2. Consider your retirement needs and goals.
3. Get details on your employer's retirement plan.
4. Discuss your retirement goals with your spouse & family.
5. Meet with a financial advisor.

Source: Nationwide, www.nationwide.com