"Retirement: How much is enough?"

By Tommy Williams, CFP®

U.S. stock markets are sending mixed signals.

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If you look at the performance of the CBOE Volatility Index (a.k.a. the VIX or fear gauge), which is a measure of market expectations for volatility in the near future, it appears all is well and investors expect nothing out of the ordinary.

The VIX remained stubbornly low early this month, too, despite weaker than expected employment news, wage news, and generally flat economic data.

If you turn your eyes to the number of companies whose shares have reached new highs, you might form a different opinion about the steadiness of stock markets. Barron's wrote:

"…the squadron of stocks pushing 52-week highs at the New York Stock Exchange has shrunk from 338 on March 1 to 72 late last week…But, if the planet really is enjoying a synchronized economic recovery, why are we lunging at these stocks as if they were the only game in town?"

It's difficult to know how to factor in the air strikes against Syria that took place early this month, which registered as a tiny blip on the U.S. stock market radar. Some analysts say that's as it should be. The real drivers of market performance in 2017 will be tax reform and global monetary policy. Others are concerned involvement in Syria could lead to a reshuffling of political priorities and delay progress on domestic legislation.

In times like these, diversification is critical. However, it seems that diversifying your portfolio is a smart strategy regardless of the situation – facing an unstable geopolitical climate or simply facing retirement. That should be the case regardless of the climate. Have you determined your ideal retirement age? Or, the dollar value you'll feel comfortable living off of during retirement? These questions are critical, and they cannot be answered overnight.

A recent USA Today article drilled down more deeply, drawing attention to some disappointing new trends in retirement:

"About a third of 45- to 65-year-olds say they'll work part-time in their golden years and 4% aim to have a full-time job, changing the very meaning of retirement. [And] that, of course, is once they get there. A third of those surveyed plan to delay retirement past the traditional benchmark of 65. Twenty-two percent say they'll hang it up when they're between 66 and

70…and 3% vow not to give up the grind until after age 75. Eight percent don't plan to retire at all. The lingering aftereffects of the Great Recession at least partly explain the widespread desire to put off the traditional rewards of toiling 30 to 40 years. Bouts of unemployment, the housing crash…and mountains of student debt are some of the factors that respondents say are making it tough to save enough for retirement. More people are already working longer. Nearly 20% of Americans 65 and older were in the labor force last year, up from 16% in 2007. At least 61% of those surveyed say they're somewhat or very confident they'll have [sufficient retirement income]. But the hard math belies their optimism. Fifty-four percent say they'll need more than $500,000 to live comfortably and a third believe they should sock away $1 million or more. Yet 30% have no retirement savings. And of the 68% who do, 30% have less than $100,000 while 34% have between $100,000 and $500,000."

If these statistics are startling to you, perhaps meeting with your trusted financial advisor over a tall glass of reality is just what the doctor ordered. In the meantime, a very oversimplified rule of thumb for you: Take your retirement savings and multiply it by 4%. What sort of retirement life style will that support?

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