

## Who Needs a Retirement Plan? Apparently Not Millennials



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**Four in 10 millennials don't have a plan for retirement. Is that really a bad thing?**



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Most people don't know [how much money they need in retirement](#) and are stressed about how to pay for it. But a Franklin Templeton Investments survey of more than 2,000 adults in January found that young people are relatively optimistic about their retirement prospects. More than a third of millennials say they will have [a better retirement](#) than past generations. That makes them more confident than Gen Xers, of whom only a quarter say the same.

Despite that optimism, 40 percent of millennials say they don't have a [retirement income strategy](#) in place, and 57 percent report they haven't even begun saving yet. "You never want to hear that, but you don't get too concerned," says Michael Doshier, vice president of retirement marketing for Franklin Templeton Investments. Doshier says there is an "evolutionary process" in which young adults almost always see retirement as distant and inconsequential to their present life. Then, as people age, it comes into focus and saving becomes more of a priority.

**Saving is good, but it's not a plan.** It may seem as though a significant number of millennials are failing to [take retirement seriously](#), but the numbers don't phase Charlie Harriman, a financial planner with Cloud Financial in Huntsville, Alabama. According to Harriman, who is a millennial himself, many people, including those in older generations, think they have a plan when they really don't. Instead, they are simply setting money aside in a 401(k) and calling it a plan. While saving is an important component, retirement plans need to cover things such as insurance, disability coverage, college education for kids and tax implications.

Still, Doshier says [simply saving money](#) could be enough given the age of most millennials. "What's important is when they are in their 20s is that they're saving," he says. Getting money in a retirement account early ensures workers are able to take full advantage of the growth created through compound interest.

**Money might not grow without a plan.** Not everyone is convinced that saving money early trumps having a retirement plan. "[That money] could just go into a cash fund and then it's not growing," says Zack Shepard, vice president with Matson Money, based in Mason, Ohio.

Risk-averse investors might place contributions into stable value funds, which are designed to minimize the possibility of large losses should the stock market fall. However, the same design that keeps money safe also means these funds typically make little in the way of gains. "There is a risk of not taking enough risk," says Andrew Rafal, a Gen X'er and founder of Bayntree Wealth Advisors in Scottsdale, Arizona. Without the proper level of risk, even four decades of compound interest may not be enough to grow investments in stable funds to the amount where a worker can retire comfortably.

**Retirement planning when you're young and broke.** Lack of cash is one reason millennials may balk at the idea of creating a formal retirement plan. "Most millennials are doing what they can to pay the bills," Harriman says. "They don't have a plan because they don't have the money."

Plus, the financial planning industry isn't necessarily geared to help those with low incomes and limited assets. "Advisory firms have, in the past, catered to those who have accumulated wealth – who have climbed that mountain," Rafal says.

However, that might be changing at some firms. "We're making a big effort to understand the millennial culture," says Shepard, another member of Generation X. As part of its outreach, Matson Money is creating what it calls an "investing destination" in Scottsdale, Arizona, which will provide financial education and exhibits that are appropriate for all ages.

Meanwhile, other millennials may find the best way to get professional advice is to get a referral. Harriman notes most of the 25 year olds he meets are his current clients' children, and he says many financial advisors are happy to provide a free initial consultation.

Another option for millennials is to find a planning professional willing to provide ongoing guidance in exchange for a flat monthly fee. Rafal calls this the "Netflix model" of financial planning and says fees can vary widely with \$50 to \$200 per month being within the norm.

Regardless of how millennials [get financial help](#), most advisors agree a plan is crucial to meeting retirement goals. "Success breeds success," Rafal says. "Without a plan, success is hard to come by."